



Dave Yost • Auditor of State



**BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY  
JUNE 30, 2017 AND 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bethel Local School District, Miami County, Ohio (the School District), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 1 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bethel Local School District, Miami County, Ohio, as of June 30, 2017 and 2016, and the respective changes in cash financial position thereof for the years then ended in accordance with the accounting basis described in Note 1.

**Accounting Basis**

Ohio Administrative Code § 117-2-03(B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 1 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Emphasis of Matter**

As discussed in fiscal year 2016 Note 17 to the financial statements, during 2016, the School District has elected to change its financial presentation to a cash basis comparable to the requirements of *Governmental Accounting Standards*. We did not modify our opinion regarding this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 5, 2018, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 5, 2018

Bethel Local School District  
 Miami County, Ohio  
 Statement of Net Position - Cash Basis  
 June 30, 2017

	Governmental Activities
Cash Assets	
Equity in pooled cash, cash equivalents, and investments	\$ 7,655,558
Total Cash Assets	\$ 7,655,558
 Net Cash Position:	
Restricted for:	
Capital projects	\$ 3,732,127
Debt service	895,528
Food service operations	52,764
Education grants	4,157
Student activities	70,172
Other purposes	14,733
Unrestricted	2,886,077
Total Net Cash Position	\$ 7,655,558

See accompanying notes to the basic financial statements.

Bethel Local School District  
Miami County, Ohio  
Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2017

	Cash Disbursements	Program Cash Receipts		Net (Expenditure) Receipt and Changes in Net Cash Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 4,886,865	\$ 342,248	\$ 19,477	\$ (4,525,140)
Special	1,473,710	86,868	253,772	(1,133,070)
Student intervention services	96,074	-	-	(96,074)
Other	638,021	43,777	-	(594,244)
Support Services:				
Pupils	362,526	20,136	67,170	(275,220)
Instructional staff	265,040	3,763	11,212	(250,065)
Board of education	95,185	-	-	(95,185)
Administration	813,237	-	-	(813,237)
Fiscal	366,088	-	-	(366,088)
Business	41,091	-	-	(41,091)
Operation and maintenance of plant	1,189,332	-	-	(1,189,332)
Pupil transportation	764,416	-	-	(764,416)
Central	303,902	-	5,400	(298,502)
Operation of Non-Instructional Services	325,829	-	102,906	(222,923)
Extracurricular Activities	437,662	246,667	12,994	(178,001)
Capital Outlay	11,270,883	91,303	-	(11,179,580)
Debt Service:				
Principal	539,319	-	-	(539,319)
Interest and fiscal charges	842,912	-	-	(842,912)
Total Governmental Activities	\$ 24,712,092	\$ 834,762	\$ 472,931	(23,404,399)
General Cash Receipts				
Property Taxes Levied for:				
General purposes				4,317,994
Debt service				1,395,370
Capital projects				611,258
Income Taxes Levied for:				
General purposes				1,366,979
Grants and entitlements not restricted to specific purposes				5,030,393
Interest				105,043
Miscellaneous				179,685
Total General Receipts				13,006,722
Change in Net Cash Position				(10,397,677)
Net Cash Position Beginning of Year				18,053,235
Net Cash Position End of Year				\$ 7,655,558

See accompanying notes to the basic financial statements.



Bethel Local School District  
Miami County, Ohio  
Statement of Assets and Fund Balances - Cash Basis  
Governmental Funds  
June 30, 2017

	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Assets:					
Equity in pooled cash, cash equivalents and investments	\$ 2,886,077	\$ 895,528	\$ 3,400,655	\$ 473,298	\$ 7,655,558
Total Assets	<u>\$ 2,886,077</u>	<u>\$ 895,528</u>	<u>\$ 3,400,655</u>	<u>\$ 473,298</u>	<u>\$ 7,655,558</u>
Fund Balances:					
Restricted for:					
Capital projects	\$ -	\$ -	\$ 3,400,655	\$ 331,472	\$ 3,732,127
Debt service	-	895,528	-	-	895,528
Food service operations	-	-	-	52,764	52,764
Student activities	-	-	-	70,172	70,172
State/Federal education grants	-	-	-	4,157	4,157
Other purposes	-	-	-	14,733	14,733
Assigned for:					
School activities	43,396	-	-	-	43,396
Future expenditures	689,043	-	-	-	689,043
Subsequent appropriations	52,168	-	-	-	52,168
Unassigned	<u>2,101,470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,101,470</u>
Total Fund Balances	<u>\$ 2,886,077</u>	<u>\$ 895,528</u>	<u>\$ 3,400,655</u>	<u>\$ 473,298</u>	<u>\$ 7,655,558</u>

See accompanying notes to the basic financial statements.

Bethel Local School District  
Miami County, Ohio

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2017

	General	Bond Retirement Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Cash Receipts:					
Property and other local taxes	\$ 4,317,994	\$ 1,395,370	\$ -	\$ 611,258	\$ 6,324,622
Income tax	1,366,979	-	-	-	1,366,979
Intergovernmental	4,874,115	68,856	-	545,043	5,488,014
Interest	22,116	-	82,927	-	105,043
Tuition and fees	472,893	-	-	-	472,893
Extracurricular activities	23,899	-	-	91,303	115,202
Customer sales and services	-	-	-	246,667	246,667
Gifts and donations	2,316	-	-	12,994	15,310
Miscellaneous	160,391	-	-	11,197	171,588
<b>Total Receipts</b>	<b>11,240,703</b>	<b>1,464,226</b>	<b>82,927</b>	<b>1,518,462</b>	<b>14,306,318</b>
Cash Disbursements					
Current:					
Instruction:					
Regular	4,659,463	-	189,496	37,906	4,886,865
Special	1,266,045	-	-	207,665	1,473,710
Student intervention services	96,074	-	-	-	96,074
Other	638,021	-	-	-	638,021
Support Services:					
Pupils	312,526	-	-	50,000	362,526
Instructional staff	261,878	-	-	3,162	265,040
Board of education	95,185	-	-	-	95,185
Administration	812,678	-	-	559	813,237
Fiscal	333,260	21,520	-	11,308	366,088
Business	11,547	-	-	29,544	41,091
Operation and maintenance of plant	1,043,095	-	-	146,237	1,189,332
Pupil transportation	680,250	-	-	84,166	764,416
Central	193,566	-	-	110,336	303,902
Operation of non-instructional services	-	-	-	325,829	325,829
Extracurricular activities	259,199	-	-	178,463	437,662
Capital Outlay	950,180	-	10,223,680	97,023	11,270,883
Debt Service:					
Principal	69,319	440,000	-	30,000	539,319
Interest	1,340	805,819	-	35,753	842,912
<b>Total Disbursements</b>	<b>11,683,626</b>	<b>1,267,339</b>	<b>10,413,176</b>	<b>1,347,951</b>	<b>24,712,092</b>
Excess of Receipts Over(Under) Disbursements	(442,923)	196,887	(10,330,249)	170,511	(10,405,774)
Other Financing Sources (Uses):					
Insurance recoveries	8,097	-	-	-	8,097
Transfers in	-	-	-	67,000	67,000
Transfers out	(67,000)	-	-	-	(67,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(58,903)</b>	<b>-</b>	<b>-</b>	<b>67,000</b>	<b>8,097</b>
<b>Net Change in Fund Balance</b>	<b>(501,826)</b>	<b>196,887</b>	<b>(10,330,249)</b>	<b>237,511</b>	<b>(10,397,677)</b>
Fund Balance, Beginning of Year	3,387,903	698,641	13,730,904	235,787	18,053,235
<b>Fund Balance, End of Year</b>	<b>\$ 2,886,077</b>	<b>\$ 895,528</b>	<b>\$ 3,400,655</b>	<b>\$ 473,298</b>	<b>\$ 7,655,558</b>

See accompanying notes to the basic financial statements.

Bethel Local School District  
 Miami County, Ohio  
 Statement of Fiduciary Net Position - Cash Basis  
 June 30, 2017

	Private Purpose Trust Funds	Agency Fund
Cash Assets		
Equity in pooled cash, cash equivalents, and investments	\$ 78,408	\$ 20,542
Total Cash Assets	\$ 78,408	\$ 20,542
Net Cash Position	\$ 78,408	\$ 20,542

See accompanying notes to the basic financial statements.

Bethel Local School District  
Miami County, Ohio  
Statement of Changes in Fiduciary Net Position - Cash Basis  
Private Purpose Trust Funds  
For the Fiscal Year Ended June 30, 2017

	Private Purpose Trust Funds
Additions:	
Gifts and contributions	\$ <u>2,961</u>
Total Additions	<u>2,961</u>
Deductions:	
Payments in accordance with trust agreements	<u>2,566</u>
Total Deductions	<u>2,566</u>
Change in Net Position	395
Net Position, Beginning of Year	<u>78,013</u>
Net Position, End of Year	<u>\$ 78,408</u>

See accompanying notes to the basic financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Reporting Entity***

The Bethel Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is governed by a locally elected five member Board of Education (the Board) which provides educational services.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) requirements that the financial statements include all organizations, activities, functions and component units for which the School District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization and either the School District's ability to impose its will over the organization will provide a financial benefit to, or impose a financial burden on the School District. There were no potential component units that met the applicable criteria to be included in the School District's reporting entity. Based on the foregoing, the reporting entity of the School District includes the following services: instruction (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant GASB pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The following are the more significant of the School District's accounting policies.

***Basis of Presentation***

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

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net position presents the cash balance of the governmental activities of the School District at year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational needs of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fund Financial Statements

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

***Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the School District's major governmental funds:

General Fund – This 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 School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund – This fund accounts for and reports the accumulation of restricted resources and the payment of long-term obligations, specifically the general obligation bonds.

Building Fund – This fund is to account for the proceeds of debt issued by the School District to provide for the construction of new, and renovations of existing, facilities.

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

Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust that accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal cash net position) and do not involve measurement of results of operations. The School District's agency fund accounts for numerous student managed activities.

***Basis of Accounting***

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are reported when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed and provided services not yet collected) and certain liabilities (such as accounts payable and expenses for goods and services received but not yet paid, and certain accrued expenses and liabilities) are not recorded in the financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Cash, Cash Equivalents and Investments***

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash, cash equivalents, and investments". All investments of the cash management pool are considered to be cash and cash equivalents for financial reporting purposes.

During fiscal year 2017, investments included nonnegotiable certificates of deposits, federal agency securities, commercial paper, money market mutual funds and State Treasury Asset Reserve of Ohio (STAR Ohio). All investments, with the exception of STAR Ohio, are reported at cost.

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 has adopted GASB Statement No. 79, "Certain External Investment Pools and Participants". The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides the NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance or all deposits or withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participants will be combined for these purposes.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2017 amounted to \$22,116 which includes the general funds allocation as well as the allocation of all funds not specified in the Board's resolution.

***Budgetary Process***

All funds, except 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 appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget indicates the projected receipts and disbursements for those funds receiving tax monies. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the legal level of control selected by the Board. The legal level of control has been established by the Board at the fund, function level for all funds. Budgetary allocations at levels below the legal level of control are made by the Treasurer.

The appropriation resolution is subject to amendment by the Board throughout the school year with the restriction that appropriations may not exceed estimated revenues. The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the School District.

***Capital Assets***

Acquisition of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

***Compensated Absences***

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Long-Term Obligations***

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest are reported when disbursements are made.

***Pensions***

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

***Net Position***

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The School District's policy is to first apply restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

***Fund Balance***

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

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. The School District did not have any fund balance classified as nonspendable at fiscal year-end.

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District's governing board.

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



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

***Interfund Activity***

Transfers and advances within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. If there is an intention for repayment, the flows of cash or goods between funds are reported as interfund advances. Both interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statement.

**NOTE 2 – COMPLIANCE**

Ohio Administrative Code, Section 117-2-03(B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statement on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

Active Monies – These monies are determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies – These monies have been identified by the Board of Education as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposits maturing no 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 Monies – These monies are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes 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 security 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposits or savings or deposits accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

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

***Deposits***

Custodial credit risk is the risk that in the event of bank failure, the School District's deposits may not be returned to it. Protection of the School District's deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At fiscal year end, the carrying amount of the School District's deposits was \$2,217,527, including \$25 of cash on hand, and the bank balance was \$2,599,356. Federal depository insurance covered \$499,419 of the bank balance at year end with the remaining \$2,099,937 being secured by collateral pools described above.

***Investments***

The School District's investments at June 30, 2017 included \$5,534,290 of money market accounts and \$2,691 of deposits in STAR Ohio; all of which matured within one year.

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

The School District's investment policy authorizes the Treasurer to make investments of available monies from the funds of the School District in securities authorized by State law.

*Interest Rate Risk* – The Ohio Revised Code and School District policy require that investments mature within five (5) years of settlement date, unless they are matched to a specific obligation or debt of the School District.

*Credit Risk* – The School District policy has no policy limiting investments based on credit risk other than those established by State law.

*Concentration of Credit Risk* – The School District's policy limits investment in commercial paper and bankers' acceptances to 25 percent of the total investment portfolio at the time of purchase. At June 30, 2017 the District's investment in money market accounts represented 99.9 percent of its investment portfolio.

*Custodial Credit Risk* – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Based on Standard and Poor's STAR Ohio has a AAAm rating. The money market accounts are not rated.

**NOTE 4 - PROPERTY TAXES**

Property taxes include amounts levied against all real estate and public utility property located in the School District. Real property taxes collected during 2017 were levied after April 1, 2016 on assessed values as of January 1, 2016, the lien date.

Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2013. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable on June 20.

Public utility tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public tangible personal property is currently assessed at 100 percent of its true value. Public utility personal property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the School District. The County Auditor periodically remits to the School District its portion of the taxes collected.

The tax rate per \$1,000 of assessed valuation was \$61.77 and the assessed values upon which the fiscal year 2017 receipts were based are as follows:

	<u>2017 First Half Collections</u>	<u>2016 Second Half Collections</u>
Agricultural, residential, and other real property	\$ 151,970,700	\$ 141,545,830
Public utility personal property	<u>3,917,410</u>	<u>3,718,100</u>
Total	<u>\$ 155,888,110</u>	<u>\$ 145,263,930</u>

**NOTE 5 - INCOME TAXES**

The School District levies a 0.75 percent, earned income tax levy approved by voters of the School District in fiscal year 2010. Income taxes are paid into the General Fund and used for general operating purposes.

Employers of residents are required to withhold income tax on compensation and remit the tax to the State Department of Taxation. Taxpayers are required to file an annual return. The State Department of Taxation makes quarterly distributions to the school districts after withholding amounts for administrative fees and estimated refunds.

**NOTE 6 - RISK MANAGEMENT**

***Property and Liability:***

The School District is exposed to various risks of loss related to torts, thefts-of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters.

During fiscal year 2017, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual 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 School District pays this annual premium to the OSP (See Note 11). The School District contracts for automobile liability, education general liability and employee liability with OSP.

Insurance coverage provided includes the following:

Building and Contents - replacement cost (\$1,000 deductible)	\$ 25,095,003
Automobile Liability (\$1,000 deductible)	2,000,000
Uninsured Motorists (\$1,000 deductible)	250,000
School Errors & Omissions Liability	2,000,000
General Liability:	
Per occurrence	2,000,000
Annual aggregate	4,000,000
Umbrella Liability	2,000,000

Effective July 1, 2017, the School District increased the building and contents coverage to \$47,476,991 to account for the completion of the new school building.

***Workers' Compensation:***

For fiscal year 2017, the School District participated in the Southwestern Ohio Educational Purchasing Council of Worker's Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (see Note 11). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement 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.

**NOTE 6 - RISK MANAGEMENT (continued)**

***Medical Benefits:***

In fiscal year 2017, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (see Note 11). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School 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.

**NOTE 7 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

***School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)**

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 **	Eligible to retire on or after August 1, 2017
Full benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or age 60 with 25 years of service credit

\*\* - Members with 25 years of service credit as of August 1, 2017 will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire employer contribution was allocated to pension, death benefits, and Medicare B. Allocations to the Health Care Fund for the year were limited to the additional surcharge collected for employees earning less than an actuarially determined minimum compensation amount; \$23,500 for fiscal year 2017.

The School District's contractually required contribution to SERS was \$171,382 for fiscal year 2017.

**State Teachers Retirement System (STRS)**

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit.



**NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)**

Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent on July 1, 2016, to reach the statutory maximum amount of 14 percent. For the fiscal year ended June 30, 2017 plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$550,686 for fiscal year 2017.

***Net Pension Liability***

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities.

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)**

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$ 2,516,182	\$ 11,514,161	\$ 14,030,343
Proportion of the Net Pension Liability:			
Current Year	0.0343784%	0.03439834%	
Prior Year	<u>0.0357662%</u>	<u>0.03071101%</u>	
Change in Proportionate Share	<u>-0.0013878%</u>	<u>0.00368733%</u>	

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3.00 percent
Investment rate of return	7.50 percent of net investments expense, including inflation
Actuarial cost method	Entry Age Normal

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates. Mortality among disabled members were based upon the RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.



**NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)**

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00%	0.50%
US stocks	22.50%	4.75%
Non-US Stock	22.50%	7.00%
Fixed income	19.00%	1.50%
Private equity	10.00%	8.00%
Real assets	15.00%	5.00%
Multi-asset strategies	<u>10.00%</u>	3.00%
Total	<u>100.00%</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Changes in Assumptions during Period** The following changes in actuarial assumptions were made during the June 30, 2016 actuarial valuation period: The discount rate was reduced from 7.75% to 7.50%. Assumed rate of inflation was reduced from 3.25% to 3.00%. Payroll growth assumption was reduced from 4.00% to 3.50%. Assumed real wage growth was reduced from 0.75% to 0.50%. Rates of withdrawal, retirement and disability were updated to reflect recent experience. Mortality among active members was updated to use RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members and beneficiaries was updated to use RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates and 110% of female rates. Mortality among disabled members was updated to use RP-2000 Disability Mortality Table, 90% for male rates and 100% for female rates, and a five-year set-back for the period after disability retirement.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)**

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 3,331,268	\$ 2,516,182	\$ 1,833,921

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Future salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.75 percent, net of investment expenses, including inflation
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic equity	31.00%	8.00%
International equity	26.00%	7.85%
Alternatives	14.00%	8.00%
Fixed income	18.00%	3.75%
Real estate	10.00%	6.75%
Liquidity reserves	<u>1.00%</u>	<u>3.00%</u>
Total	<u>100.00%</u>	<u>7.61%</u>

\* - 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected rate of return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)**

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2016.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 15,301,385	\$ 11,514,161	\$ 8,319,415

**Changes Between Measurement Date and Report Date** In March 2017, the STRS Board adopted assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to the School District's net pension liability is expected to be significant.

**NOTE 8 – POSTEMPLOYMENT BENEFITS**

**School Employee Retirement System**

**Health Care Plan Description** – The School District contributes to the SERS health care fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial reports of the Plan are included in the SERS Comprehensive Annual Financial Report which is can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to charge or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

**NOTE 8 – POSTEMPLOYMENT BENEFITS (continued)**

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2017, this amount was \$23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the School District’s surcharge obligation was \$19,159.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were \$19,159, \$58,472, and \$23,142, respectively. The full amount has been contributed for fiscal years 2017, 2016 and 2015.

**State Teachers Retirement System**

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017 STRS Ohio did not allocate any of the employer contributions to the Health Care Stabilization Fund nor were any such allocations made for fiscal years ending June 30, 2016 and 2015.

**NOTE 9 - LONG-TERM DEBT OBLIGATIONS**

The activity of the School District’s long-term debt obligations during fiscal year 2017 was as follows:

	Amount Outstanding June 30, 2016	Increase	Decrease	Amount Outstanding June 30, 2017	Amount Due Within One Year
General Obligation Bonds:					
2014-A School Improvement Bond					
Serial Interest (1.0%-4.25%)	\$ 3,600,000	\$ -	\$ (245,000)	\$ 3,355,000	\$ 275,000
Term Interest (4.0%-4.5%)	8,710,000	-	-	8,710,000	-
Capital Appreciation	109,999	-	-	109,999	-
2014-B School Improvement Bond					
Serial Interest (1.0%-4.25%)	2,045,000	-	(195,000)	1,850,000	215,000
Term Interest (4.0%-4.5%)	7,255,000	-	-	7,255,000	-
Capital Appreciation	40,000	-	-	40,000	-
Total General Obligation Bonds	<u>21,759,999</u>	<u>-</u>	<u>(440,000)</u>	<u>21,319,999</u>	<u>490,000</u>
HB 264 Energy Conservation Note	69,319	-	(69,319)	-	-
Capital Leases	<u>716,000</u>	<u>-</u>	<u>(30,000)</u>	<u>686,000</u>	<u>32,000</u>
Total Governmental Activities	<u>\$ 22,545,318</u>	<u>\$ -</u>	<u>\$ (539,319)</u>	<u>\$ 22,005,999</u>	<u>\$ 522,000</u>

**NOTE 9 - LONG-TERM OBLIGATIONS (continued)**

**General Obligations Bonds**

In August of 2014, the School District issued \$22 million in general obligation bonds for the purpose of constructing a new high school, in two separate series. This bond issue consisted of serial interest, term interest and capital appreciation bonds, had interest rates ranging from 1.0 percent to 4.5 percent, and will fully mature on November 1, 2051.

The 2014 series-A capital appreciation bonds have a combined maturity value of \$455,000 and are set to mature on November 1, 2020 and November 1, 2021. The 2014 series-B capital appreciation bonds have a combined maturity value of \$250,000 and are set to mature on November 1, 2020 and November 1, 2021.

A summary of the School District's future debt service payments related to general obligation bonds follows:

Fiscal Year	Principal	Interest	Compounded Interest	Total
2018	\$ 490,000	\$ 798,844	\$ -	\$ 1,288,844
2019	535,000	791,156	-	1,326,156
2020	580,000	781,663	-	1,361,663
2021	361,027	773,306	268,973	1,403,306
2022	63,972	770,431	286,028	1,120,431
2023-2027	1,865,000	3,699,331	-	5,564,331
2028-2032	2,245,000	3,310,638	-	5,555,638
2033-2037	2,750,000	2,791,738	-	5,541,738
2038-2042	3,370,000	2,164,975	-	5,534,975
2043-2047	4,080,000	1,435,456	-	5,515,456
2048-2051	4,980,000	522,834	-	5,502,834
Total	<u>\$ 21,319,999</u>	<u>\$ 17,840,372</u>	<u>\$ 555,001</u>	<u>\$ 39,715,372</u>

**Capital Lease Obligation**

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. Lease payments are made out of the permanent improvement fund (other governmental funds). The School District's capital lease requirements to maturity are as follows:

Fiscal Year	Minimum Lease Payment
2018	\$ 66,992
2019	66,354
2020	66,628
2021	66,789
2022	66,841
2023-2027	329,491
2028-2032	<u>326,710</u>
Total minimum lease payments	989,805
Less: Amount representing interest	<u>(303,805)</u>
Total present value of minimum lease payments	<u>\$ 686,000</u>

**NOTE 9 - LONG-TERM OBLIGATIONS (continued)**

***Energy Conservation Notes***

During fiscal year 2013 and 2011 the School District entered into an Energy Conservation Notes to upgrade the propane heating system and lighting. Debt payments related to the Energy Conservation Notes are made out of the general fund. The School District's Energy Conservation Notes were paid in full during fiscal year 2017.

**NOTE 10 – JOINTLY GOVERNED ORGANIZATIONS**

***Metropolitan Educational Technology Association***

The School District is a member of the Metropolitan Educational Technology Association (META). META is an association of public school districts in a geographical area determined by the Ohio Department of Education. META was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. The School District paid META \$26,841 for services provided during the fiscal year. Financial information can be obtained from Dave Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio, 43302.

***Southwestern Ohio Educational Purchasing Cooperative***

The School 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 2017, the School District paid \$750 to SOEPC for membership fees. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center, Suite 208, Vandalia, Ohio 45377.

***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 position 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 fiscal year 2017, the School District had payments to SOITA in the amount of \$1,160. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Gary Greenberg, who serves as the Executive Director, at 1205 East Fifth Street, Dayton, Ohio 45402.



**NOTE 11 - 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.

***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.

**NOTE 12 - CONTINGENCIES**

***Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

***Litigation***

There were currently no matters in litigation with the School District as defendant.

***Full-Time Equivalency Review***

The Ohio Department of Education conducts reviews of enrollment and full-time equivalency (FTE) calculations made by school districts within the State starting for fiscal year 2015. These reviews are being conducted to ensure the school districts are reporting accurate student enrollment data to the State, which is used in determining state funding allocations. The conclusions of such reviews could result in adjustments to state funding allocations for the fiscal year being reviewed. The fiscal year 2017 review did not result in significant changes to the School District's funding amount.

**NOTE 13 – CAPITAL IMPROVEMENT SET-ASIDE**

The School District is required by State statute to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year. The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	Capital Improvements
Set-aside reserve balance as of June 30, 2016	\$ -
Current year set-aside requirement	204,295
Current year offsets:	
Permanent Improvement Levy	(699,408)
Total	\$ (495,113)
Balance carried forward to fiscal year 2018	\$ -
Set-aside balance June 30, 2017	\$ -

The School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to zero for the capital improvements set-aside.

**NOTE 14 - COMMITMENTS**

***Encumbrances***

At year end the School District had the following amounts encumbered for future purchase obligations:

Fund	Year-End Encumbrances
General Fund	\$ 803,624
Building Fund	2,734,512
Non-major Governmental Funds	107,228
	\$ 3,645,364

**NOTE 15 – INTERFUND TRANSFERS**

During fiscal year 2017, the School District transferred \$67,000 from the General Fund to the District Managed Student Activities special revenue fund (nonmajor governmental fund) to provide additional resources necessary to operate the activities. Transfers of monies are not intended to be repaid and were in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.



**NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLES**

For the fiscal year ended June 30, 2017, the School District implemented GASB Statements No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; No. 77, *Tax Abatement Disclosures*; No. 78, *Pensions Provided through Certain Multi-Employer Defined Benefit Pension Plans*; No. 80, *Blending Requirements for Certain Component Units, an Amendment of GASB 14*; and No. 82, *Pension issues, an Amendment of GASB Statements No. 67, No. 68, and No. 73*.

GASB Statement No. 76 supersedes GASB Statement No. 55 and raises GASB Implementation Guides in the GAAP hierarchy as well as emphasizing the importance of analogies to authoritative literature when not specified in authoritative GAAP. The implementation of this Standard had no impact on the School District's financial statements for fiscal year 2017.

GASB Statement No. 77 requires certain disclosures be provided that provide users of the financial statements with information concerning the reporting government's tax abatement programs, including the nature and magnitude, which will affect the ability to raise resources as well as the impact these programs have on the financial position of the reporting government. The School District has determined there is no significant impact for the current fiscal year due to the abatement agreement currently in place.

GASB Statement No. 78 amends the scope and applicability of GASB Statement No. 68 to exclude pensions provided to employees of governmental employers through certain cost-sharing, multiple-employer defined benefit plans as defined by this Standard. The implementation of this Standard had no impact on the School District's financial statements for fiscal year 2017.

GASB Statement No. 80 amends the blending requirements of GASB Statement No. 14 to including blending of a component unit, incorporated as a not-for-profit corporation, in which the primary government is the sole corporate member. The implementation of this Standard had no impact on the School District's financial statements for fiscal year 2017.

GASB Statement No. 82 improves financial reporting by enhancing consistency in the application of financial reporting requirements related to certain pension issues, including presentation of payroll-related measures in RSI, selection of assumptions, and classification of employer-paid member contributions. The implementation of this Standard had no impact on the School District's financial statements for fiscal year 2017.

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Bethel Local School District  
 Miami County, Ohio  
 Statement of Net Position - Cash Basis  
 June 30, 2016

	Governmental Activities
Cash Assets	
Equity in pooled cash, cash equivalents, and investments	\$ 18,053,235
Total Cash Assets	\$ 18,053,235
 Net Cash Position:	
Restricted for:	
Capital projects	\$ 13,917,001
Debt service	698,641
Food service operations	29,078
Education grants	2,818
Student activities	66,141
Other purposes	10,422
Unrestricted	3,329,134
Total Net Cash Position	\$ 18,053,235

See accompanying notes to the basic financial statements.

Bethel Local School District  
Miami County, Ohio  
Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2016

	Cash Disbursements	Program Cash Receipts		Net (Expenditure) Receipt and Changes in Net Cash Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	
Governmental Activities				
Current:				
Instruction:				
Regular	\$ 4,294,183	\$ 285,294	\$ 29,846	\$ (3,979,043)
Special	1,365,362	73,456	158,808	(1,133,098)
Other	597,343	37,499	-	(559,844)
Support Services:				
Pupils	327,400	19,430	40,998	(266,972)
Instructional staff	204,822	3,787	1,494	(199,541)
Board of education	63,350	-	-	(63,350)
Administration	759,568	-	-	(759,568)
Fiscal	412,177	-	-	(412,177)
Business	50,386	-	-	(50,386)
Operation and maintenance of plant	838,745	-	-	(838,745)
Pupil transportation	815,587	-	-	(815,587)
Central	181,891	-	5,400	(176,491)
Operation of Non-Instructional Services	299,163	220,683	98,332	19,852
Extracurricular Activities	479,757	175,550	16,794	(287,413)
Capital Outlay	7,888,509	-	-	(7,888,509)
Debt Service:				
Principal	403,018	-	-	(403,018)
Interest and fiscal charges	856,109	-	-	(856,109)
Total Governmental Activities	<u>\$ 19,837,370</u>	<u>\$ 815,699</u>	<u>\$ 351,672</u>	<u>(18,669,999)</u>
General Cash Receipts				
Property Taxes Levied for:				
General purposes				4,003,436
Debt service				1,415,823
Capital projects				553,632
Income Taxes Levied for:				
General purposes				1,139,638
Grants and entitlements not restricted to specific purposes				4,523,098
Interest				120,776
Miscellaneous				<u>170,707</u>
Total General Receipts				<u>11,927,110</u>
Change in Net Cash Position				(6,742,889)
Net Cash Position Beginning of Year - Restated				<u>24,796,124</u>
Net Cash Position End of Year				<u>\$ 18,053,235</u>

See accompanying notes to the basic financial statements.

Bethel Local School District  
Miami County, Ohio  
Statement of Assets and Fund Balances - Cash Basis  
Governmental Funds  
June 30, 2016

	<u>General</u>	<u>Bond Retirement Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Assets:					
Equity in pooled cash, cash equivalents and investments	\$ 3,387,903	\$ 698,641	\$ 13,730,904	\$ 235,787	\$ 18,053,235
Total Assets	<u>\$ 3,387,903</u>	<u>\$ 698,641</u>	<u>\$ 13,730,904</u>	<u>\$ 235,787</u>	<u>\$ 18,053,235</u>
Fund Balances:					
Restricted for:					
Capital projects	\$ -	\$ -	\$ 13,730,904	\$ 186,097	\$ 13,917,001
Debt service	-	698,641	-	-	698,641
Food service operations	-	-	-	29,078	29,078
Student activities	-	-	-	66,141	66,141
State/Federal education grants	-	-	-	2,818	2,818
Other purposes	-	-	-	10,422	10,422
Assigned for:					
School activities	43,844	-	-	-	43,844
Future expenditures	1,317,791	-	-	-	1,317,791
Subsequent appropriations	2,026,268	-	-	-	2,026,268
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,769)</u>	<u>(58,769)</u>
Total Fund Balances	<u>\$ 3,387,903</u>	<u>\$ 698,641</u>	<u>\$ 13,730,904</u>	<u>\$ 235,787</u>	<u>\$ 18,053,235</u>

See accompanying notes to the basic financial statements.

Bethel Local School District  
Miami County, Ohio

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2016

	General	Bond Retirement Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>Cash Receipts:</b>					
Property and other local taxes	\$ 4,003,436	\$ 1,415,823	\$ -	\$ 553,632	\$ 5,972,891
Income tax	1,139,638	-	-	-	1,139,638
Intergovernmental	4,362,419	73,841	-	412,517	4,848,777
Interest	17,693	-	103,040	43	120,776
Tuition and fees	396,249	-	-	-	396,249
Extracurricular activities	23,217	-	-	175,550	198,767
Customer sales and services	-	-	-	220,683	220,683
Gifts and donations	9,199	-	-	16,794	25,993
Miscellaneous	140,413	-	-	20,169	160,582
<b>Total Receipts</b>	<b>10,092,264</b>	<b>1,489,664</b>	<b>103,040</b>	<b>1,399,388</b>	<b>13,084,356</b>
<b>Cash Disbursements</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	4,186,410	-	8,033	99,740	4,294,183
Special	1,170,133	-	-	195,229	1,365,362
Other	597,343	-	-	-	597,343
<b>Support Services:</b>					
Pupils	277,205	-	-	50,195	327,400
Instructional staff	204,322	-	-	500	204,822
Board of education	63,350	-	-	-	63,350
Administration	759,568	-	-	-	759,568
Fiscal	383,494	20,095	-	8,588	412,177
Business	19,670	-	-	30,716	50,386
Operation and maintenance of plant	800,855	-	-	37,890	838,745
Pupil transportation	813,907	-	-	1,680	815,587
Central	102,703	-	-	79,188	181,891
Operation of non-instructional services	1,865	-	-	297,298	299,163
Extracurricular activities	253,913	-	-	225,844	479,757
Capital Outlay	139,917	-	7,423,687	324,905	7,888,509
<b>Debt Service:</b>					
Principal	163,018	240,000	-	-	403,018
Interest	45,790	810,319	-	-	856,109
<b>Total Disbursements</b>	<b>9,983,463</b>	<b>1,070,414</b>	<b>7,431,720</b>	<b>1,351,773</b>	<b>19,837,370</b>
<b>Excess of Receipts Over(Under)</b>					
Disbursements	108,801	419,250	(7,328,680)	47,615	(6,753,014)
<b>Other Financing Sources (Uses):</b>					
Proceeds from sale of capital assets	5,500	-	-	-	5,500
Insurance recoveries	4,625	-	-	-	4,625
Transfers in	-	-	-	30,000	30,000
Transfers out	(30,000)	-	-	-	(30,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(19,875)</b>	<b>-</b>	<b>-</b>	<b>30,000</b>	<b>10,125</b>
<b>Net Change in Fund Balance</b>	<b>88,926</b>	<b>419,250</b>	<b>(7,328,680)</b>	<b>77,615</b>	<b>(6,742,889)</b>
<b>Fund Balance, Beginning of Year - Restated</b>	<b>3,298,977</b>	<b>279,391</b>	<b>21,059,584</b>	<b>158,172</b>	<b>24,796,124</b>
<b>Fund Balance, End of Year</b>	<b>\$ 3,387,903</b>	<b>\$ 698,641</b>	<b>\$ 13,730,904</b>	<b>\$ 235,787</b>	<b>\$ 18,053,235</b>

See accompanying notes to the basic financial statements.

Bethel Local School District  
 Miami County, Ohio  
 Statement of Fiduciary Net Position - Cash Basis  
 June 30, 2016

	Private Purpose Trust Funds	Agency Fund
Cash Assets		
Equity in pooled cash, cash equivalents, and investments	\$ 78,013	\$ 15,668
Total Cash Assets	\$ 78,013	\$ 15,668
Net Cash Position	\$ 78,013	\$ 15,668

See accompanying notes to the basic financial statements.

Bethel Local School District  
Miami County, Ohio  
Statement of Changes in Fiduciary Net Position - Cash Basis  
Private Purpose Trust Funds  
For the Fiscal Year Ended June 30, 2016

	Private Purpose Trust Funds
Additions:	
Gifts and contributions	\$ 3,002
Interest earnings	267
Total Additions	3,269
Deductions:	
Payments in accordance with trust agreements	397
Total Deductions	397
Change in Net Position	2,872
Net Position, Beginning of Year - restated	75,141
Net Position, End of Year	\$ 78,013

See accompanying notes to the basic financial statements.



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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Reporting Entity***

The Bethel Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is governed by a locally elected five member Board of Education (the Board) which provides educational services.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) requirements that the financial statements include all organizations, activities, functions and component units for which the School District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization and either the School District's ability to impose its will over the organization will provide a financial benefit to, or impose a financial burden on the School District. There were no potential component units that met the applicable criteria to be included in the School District's reporting entity. Based on the foregoing, the reporting entity of the School District includes the following services: instruction (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant GASB pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The following are the more significant of the School District's accounting policies.

***Basis of Presentation***

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

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net position presents the cash balance of the governmental activities of the School District at year-end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational needs of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Fund Financial Statements

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

***Fund Accounting***

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the School District's major governmental funds:

General Fund – This 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 School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund – This fund accounts for and reports the accumulation of restricted resources and the payment of long-term obligations, specifically the general obligation bonds.

Building Fund – This fund is to account for the proceeds of debt issued by the School District to provide for the construction of new, and renovations of existing, facilities.

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

Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust that accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal cash net position) and do not involve measurement of results of operations. The School District's agency fund accounts for numerous student managed activities.

***Basis of Accounting***

The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are reported when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed and provided services not yet collected) and certain liabilities (such as accounts payable and expenses for goods and services received but not yet paid, and certain accrued expenses and liabilities) are not recorded in the financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Cash, Cash Equivalents and Investments***

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash, cash equivalents, and investments". All investments of the cash management pool are considered to be cash and cash equivalents for financial reporting purposes.

During fiscal year 2016, investments included nonnegotiable certificates of deposits, federal agency securities, money market mutual funds, commercial paper and the State Treasury Asset Reserve of Ohio (STAR Ohio). All investments, with the exception of STAR Ohio, are reported at cost.

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 has adopted GASB Statement No. 79, "Certain External Investment Pools and Participants". The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides the NAV per share that approximates fair value.

For fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance or all deposits or withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participants will be combined for these purposes.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2016 amounted to \$17,693 which includes the general funds allocation as well as the allocation of all funds not specified in the Board's resolution.

***Budgetary Process***

All funds, except 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 appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget indicates the projected receipts and disbursements for those funds receiving tax monies. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the legal level of control selected by the Board. The legal level of control has been established by the Board at the fund, function level for all funds. Budgetary allocations at levels below the legal level of control are made by the Treasurer.

The appropriation resolution is subject to amendment by the Board throughout the school year with the restriction that appropriations may not exceed estimated revenues. The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the School District.

***Capital Assets***

Acquisition of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

***Compensated Absences***

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the School District.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Long-Term Obligations***

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest are reported when disbursements are made.

***Pensions***

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

***Net Position***

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The School District's policy is to first apply restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

***Fund Balance***

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

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. The School District did not have any fund balance classified as nonspendable at fiscal year-end.

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District's governing board.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

***Interfund Activity***

Transfers and advances within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. If there is an intention for repayment, the flows of cash or goods between funds are reported as interfund advances. Both interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statement.

**NOTE 2 – COMPLIANCE**

Ohio Administrative Code, Section 117-2-03(B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statement on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

Active Monies – These monies are determined to be necessary to meet current demands upon the School District treasury. Active monies must be maintained either as cash in the School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive Monies – These monies have been identified by the Board of Education as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposits maturing no 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 Monies – These monies are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes 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 security 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposits or savings or deposits accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

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

***Deposits***

Custodial credit risk is the risk that in the event of bank failure, the School District's deposits may not be returned to it. Protection of the School District's deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At fiscal year end, the carrying amount of the School District's deposits was \$627,326, including \$945 of cash on hand, and the bank balance was \$703,420. Federal depository insurance covered \$503,197 of the bank balance at year end with the remaining \$200,223 being secured by collateral pools described above.

***Investments***

The School District's investments at June 30, 2016 were as follows:



**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

	Carrying Value	% of Portfolio	Investment Maturities	
			< 1 year	1 to 3 yrs
Federal Agency Notes	\$ 8,443,906	48.2%	\$ 6,756,934	\$ 1,686,972
Commerical Paper	4,622,086	26.4%	4,622,086	-
Money Market Funds	4,450,928	25.4%	4,450,928	-
STAR Ohio	2,670	0.0%	2,670	-
<b>Total</b>	<b>\$ 17,519,590</b>	<b>100.0%</b>	<b>\$ 15,832,618</b>	<b>\$ 1,686,972</b>

The School District's investment policy authorizes the Treasurer to make investments of available monies from the funds of the School District in securities authorized by State law.

*Interest Rate Risk* – The Ohio Revised Code and School District policy require that investments mature within five (5) years of settlement date, unless they are matched to a specific obligation or debt of the School District.

*Credit Risk* – The School District policy has no policy limiting investments based on credit risk other than those established by State law.

*Concentration of Credit Risk* – The School District's policy limits investment in commercial paper and bankers' acceptances to 25 percent of the total investment portfolio at the time of purchase. The percentage of each investment to the School District's total portfolio at June 30, 2016 is presented in the table above.

*Custodial Credit Risk* – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Based on Standard and Poor's, investments in federal agencies are rated AA+, STAR Ohio has a AAAM rating, \$2.0 million of the commercial paper is rated A-1+, and the remaining \$2.6 million of commercial paper is rated A-1. The money market accounts are not rated.

**NOTE 4 - PROPERTY TAXES**

Property taxes include amounts levied against all real estate and public utility property located in the School District. Real property taxes collected during 2016 were levied after April 1, 2015 on assessed values as of January 1, 2015, the lien date.

Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2013. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable on June 20.

Public utility tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public tangible personal property is currently assessed at 100 percent of its true value. Public utility personal property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the School District. The County Auditor periodically remits to the School District its portion of the taxes collected.



**NOTE 4 - PROPERTY TAXES (Continued)**

The tax rate per \$1,000 of assessed valuation was \$62.08 and the assessed values upon which the fiscal year 2016 receipts were based are as follows:

	2016 First Half Collections	2015 Second Half Collections
Agricultural, residential, and other real property	\$ 141,545,830	\$ 140,266,890
Public utility personal property	3,718,100	3,687,680
Total	\$ 145,263,930	\$ 143,954,570

**NOTE 5 - INCOME TAXES**

The School District levies a 0.75 percent, earned income tax levy approved by voters of the School District in fiscal year 2010. Income taxes are paid into the General Fund and used for general operating purposes.

Employers of residents are required to withhold income tax on compensation and remit the tax to the State Department of Taxation. Taxpayers are required to file an annual return. The State Department of Taxation makes quarterly distributions to the school districts after withholding amounts for administrative fees and estimated refunds..

**NOTE 6 - RISK MANAGEMENT**

***Property and Liability:***

The School District is exposed to various risks of loss related to torts, thefts-of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters.

During fiscal year 2016, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual 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 School District pays this annual premium to the OSP (See Note 11). The School District contracts for automobile liability, education general liability and employee liability with OSP.

Insurance coverage provided includes the following:

Building and Contents - replacement cost (\$1,000 deductible)	\$ 25,095,003
Automobile Liability (\$1,000 deductible)	2,000,000
Uninsured Motorists (\$1,000 deductible)	250,000
School Errors & Omissions Liability	1,000,000
General Liability:	
Per occurrence	2,000,000
Annual aggregate	4,000,000
Umbrella Liability	2,000,000

**NOTE 6 - RISK MANAGEMENT (continued)**

***Workers' Compensation:***

For fiscal year 2016, the School District participated in the Southwestern Ohio Educational Purchasing Council of Worker's Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (see Note 11). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement 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.

***Medical Benefits:***

In fiscal year 2016, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (see Note 11). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School 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.

**NOTE 7 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)**

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**School Employees Retirement System (SERS)**

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire employer contribution was allocated to pension, death benefits, and Medicare B. Allocations to the Health Care Fund for the year were limited to the additional surcharge collected for employees earning less than an actuarially determined minimum compensation amount; \$23,000 for fiscal year 2016.

The School District's contractually required contribution to SERS was \$149,473 for fiscal year 2016.

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)**

***State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)**

**State Teachers Retirement System (STRS) (continued)**

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2015, and was increased one percent again on July 1, 2016, to reach the statutory maximum amount of 14 percent. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$506,711 for fiscal year 2016.

**Net Pension Liability**

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$ 2,040,854	\$ 8,487,625	\$ 10,528,479
Proportion of the Net Pension Liability:			
Current Year	0.0357662%	0.03071101%	
Prior Year	<u>0.0316150%</u>	<u>0.02767593%</u>	
Change in Proportionate Share	<u>0.0041512%</u>	<u>0.00303508%</u>	

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)**

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Changes Between Measurement Date and Report Date** In April 2016, the SERS Board approved certain changes which impacted its annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.50 percent. Although the exact amount of these changes is not known, the impact to the School District's net pension liability is expected to be significant.



**NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)**

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 2,829,931	\$ 2,040,854	\$ 1,376,386

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

**NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)**

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 11,789,951	\$ 8,487,625	\$ 5,695,016

**NOTE 8 – POSTEMPLOYMENT BENEFITS**

**School Employee Retirement System**

**Health Care Plan Description** – The School District contributes to the SERS health care fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The financial reports of the Plan are included in the SERS Comprehensive Annual Financial Report which is can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to charge or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

**Funding Policy** – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2016, this amount was \$23,000. Statutes



**NOTE 8 – POSTEMPLOYMENT BENEFITS (continued)**

provide that no employer shall pay a health care surcharge greater than 2 percent of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the School District’s surcharge obligation was \$58,472.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$58,472, \$23,142, and \$16,235, respectively; The full amount has been contributed for fiscal years 2016, 2015, and 2014.

**State Teachers Retirement System**

Plan Description – The School District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2016, STRS Ohio did not allocate any of the employer contributions to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$27,915 respectively; which were equal to the required contributions for each year.

**NOTE 9 - LONG-TERM DEBT OBLIGATIONS**

The activity of the School District’s long-term debt obligations during fiscal year 2016 was as follows:

	Amount Outstanding June 30, 2015	Increase	Decrease	Amount Outstanding June 30, 2016	Amount Due Within One Year
General Obligation Bonds:					
2014-A School Improvement Bond					
Serial Interest (1.0%-4.25%)	\$ 3,730,000	\$ -	\$ (130,000)	\$ 3,600,000	\$ 245,000
Term Interest (4.0%-4.5%)	8,710,000	-	-	8,710,000	-
Capital Appreciation	109,999	-	-	109,999	-
2014-B School Improvement Bond					
Serial Interest (1.0%-4.25%)	2,155,000	-	(110,000)	2,045,000	195,000
Term Interest (4.0%-4.5%)	7,255,000	-	-	7,255,000	-
Capital Appreciation	40,000	-	-	40,000	-
Total General Obligation Bonds	<u>21,999,999</u>	<u>-</u>	<u>(240,000)</u>	<u>21,759,999</u>	<u>440,000</u>
HB 264 Energy Conservation Note	203,337	-	(134,018)	69,319	69,319
Capital Leases	<u>745,000</u>	<u>-</u>	<u>(29,000)</u>	<u>716,000</u>	<u>30,000</u>
Total Governmental Activities	<u>\$ 22,948,336</u>	<u>\$ -</u>	<u>\$ (403,018)</u>	<u>\$ 22,545,318</u>	<u>\$ 539,319</u>

**NOTE 9 - LONG-TERM OBLIGATIONS (continued)**

**General Obligations Bonds**

In August of 2014, the School District issued \$22 million in general obligation bonds for the purpose of constructing a new high school, in two separate series. This bond issue consisted of serial interest, term interest and capital appreciation bonds, had interest rates ranging from 1.0 percent to 4.5 percent, and will fully mature on November 1, 2051.

The 2014 series-A capital appreciation bonds have a combined maturity value of \$455,000 and are set to mature on November 1, 2020 and November 1, 2021. The 2014 series-B capital appreciation bonds have a combined maturity value of \$250,000 and are set to mature on November 1, 2020 and November 1, 2021.

A summary of the School District's future debt service payments related to general obligation bonds follows:

Fiscal Year	Principal	Interest	Compounded Interest	Total
2017	\$ 440,000	\$ 805,819	\$ -	\$ 1,245,819
2018	490,000	798,844	-	1,288,844
2019	535,000	791,156	-	1,326,156
2020	580,000	781,663	-	1,361,663
2021	361,027	773,306	268,973	1,403,306
2022-2026	1,528,972	3,758,231	286,028	5,573,231
2027-2031	2,160,000	3,396,844	-	5,556,844
2032-2036	2,640,000	2,906,238	-	5,546,238
2037-2041	3,235,000	2,296,875	-	5,531,875
2042-2046	3,930,000	1,593,684	-	5,523,684
2047-2051	4,785,000	721,644	-	5,506,644
2052	1,075,000	21,887	-	1,096,887
Total	<u>\$ 21,759,999</u>	<u>\$ 18,646,191</u>	<u>\$ 555,001</u>	<u>\$ 40,961,191</u>

**Capital Lease Obligation**

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. Lease payments are made out of the general fund. The School District's capital lease requirements to maturity are as follows:

Fiscal Year	Minimum Lease Payment
2017	\$ 66,541
2018	66,992
2019	66,354
2020	66,628
2021	66,789
2022-2026	330,805
2027-2031	327,555
2032	64,682
Total minimum lease payments	1,056,346
Less: Amount representing interest	(340,346)
Total present value of minimum lease payments	<u>\$ 716,000</u>

**NOTE 9 - LONG-TERM OBLIGATIONS (continued)**

***Energy Conservation Notes***

During fiscal year 2013 and 2011 the School District entered into an Energy Conservation Notes to upgrade the propane heating system and lighting. Debt payments related to the Energy Conservation Notes are made out of the general fund. The School District's Energy Conservation Notes requirements to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2017	\$ 69,319	\$ 1,584	\$ 70,903
Total	<u>\$ 69,319</u>	<u>\$ 1,584</u>	<u>\$ 70,903</u>

**NOTE 10 – JOINTLY GOVERNED ORGANIZATIONS**

***Metropolitan Educational Technology Association***

The School District is a member of the Metropolitan Educational Technology Association (META). META is an association of public school districts in a geographical area determined by the Ohio Department of Education. META was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. The School District paid META \$15,550 for services provided during the fiscal year. Financial information can be obtained from Dave Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio, 43302.

***Southwestern Ohio Educational Purchasing Cooperative***

The School 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 2016, the School District paid \$672 to SOEPC for membership fees. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center, Suite 208, Vandalia, Ohio 45377.

***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.

**NOTE 10 – JOINTLY GOVERNED ORGANIZATIONS (Continued)**

All member districts are obligated to pay all fees, charges or other assessments as established by SOITA. Upon dissolution, the net position 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 fiscal year 2016, the School District had payments to SOITA in the amount of \$941. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Gary Greenberg, who serves as Executive Director, at 1205 East Fifth Street, Dayton, Ohio 45402.

**NOTE 11 - 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.

***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.

**NOTE 12 - CONTINGENCIES**

***Grants***

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2016, if applicable, cannot be determined at this time.

***Litigation***

There were currently no matters in litigation with the School District as defendant.

**NOTE 12 – CONTINGENCIES (Continued)**

***Full-Time Equivalency Review***

The Ohio Department of Education conducts reviews of enrollment and full-time equivalency (FTE) calculations made by school districts within the State starting for fiscal year 2015. These reviews are being conducted to ensure the school districts are reporting accurate student enrollment data to the State, which is used in determining state funding allocations. The conclusions of such reviews could result in adjustments to state funding allocations for the fiscal year being reviewed. The fiscal year 2016 reviews did not result in significant changes to the School District's funding amount.

**NOTE 13 – CAPITAL IMPROVEMENT SET-ASIDE**

The School District is required by State statute to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year. The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	Capital Improvements
Set-aside reserve balance as of June 30, 2015	\$ -
Current year set-aside requirement	191,184
Current year offsets:	
Permanent Improvement Levy	(634,814)
Total	\$ (443,630)
Balance carried forward to fiscal year 2017	\$ -
Set-aside balance June 30, 2016	\$ -

The School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to zero for the capital improvements set-aside.

**NOTE 14 - COMMITMENTS**

***Encumbrances***

At year end the School District had the following amounts encumbered for future purchase obligations:

Fund	Year-End Encumbrances
General Fund	\$ 1,334,772
Building Fund	11,428,440
Non-major Governmental Funds	89,411
	\$ 12,852,623

**NOTE 15 – INTERFUND TRANSFERS**

During fiscal year 2016, the School District transferred \$30,000 from the General Fund to the District Managed Student Activities special revenue fund (nonmajor governmental fund) to provide additional resources necessary to operate the activities. Transfers of monies are not intended to be repaid and were in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLES**

For the fiscal year ended June 30, 2016, the School District implemented GASB Statements No. 72, *Fair Value Measurement and Application* and No. 79, *Certain External Investment Pools and Pool Participants*.

GASB Statement No. 72 requires certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. Due to accounting basis used to prepare these financial statements, the implementation of this Standard had no impact on the School District's financial statements.

GASB Statement No. 79 establishes specific criteria to determine if a qualifying external investment pool may elect to use an amortized cost-exception to fair value measurement. The implementation of this Standard had no impact on the School District's financial statements for fiscal year 2016.

**NOTE 17 – RESTATEMENT OF NET POSITION AND FUND BALANCE**

For the fiscal year ended June 30, 2016, the School District elected to change the method of accounting used financial reporting from accounting principles generally accepted in the United States of America (GAAP) to the cash basis of accounting, a basis of accounting other than GAAP. Under the cash basis of accounting, receipts are recorded in the School District's financial statements when cash is received rather than when earned and disbursements are reported when cash is paid rather than when a liability is incurred.

The change to the cash basis of accounting had the following effect on the School District's net position/fund balances at June 30, 2016, as previously reported:

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>
Net Position/Fund Balance, 6/30/2015, as previously reported	\$ (1,483,678)	\$ 3,464,915	\$ 448,411	\$ 20,549,729	\$ 125,068
Accrual Adjustments	<u>26,279,802</u>	<u>(165,938)</u>	<u>(169,020)</u>	<u>509,855</u>	<u>33,104</u>
Net Position/Fund Balance, 6/30/2015 as restated	<u>\$ 24,796,124</u>	<u>\$ 3,298,977</u>	<u>\$ 279,391</u>	<u>\$ 21,059,584</u>	<u>\$ 158,172</u>
	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>			
Net Position/Fund Balance, 6/30/2015, as previously reported	\$ 74,745	\$ -			
Accrual Adjustments	<u>396</u>	<u>18,133</u>			
Net Position/Fund Balance, 6/30/2015 as restated	<u>\$ 75,141</u>	<u>\$ 18,133</u>			





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bethel Local School District, Miami County, (the School District) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated July 5, 2018, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. We also noted, during 2016, the School District has elected to change its financial presentation to a cash basis comparable to the requirements of *Governmental Accounting Standards*.

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

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as finding 2017-001.

***Purpose of this Report***

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

July 5, 2018



BETHEL LOCAL SCHOOL DISTRICT  
MIAMI COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2017 AND 2016

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

FINDING NUMBER 2017-001

NONCOMPLIANCE

**Ohio Rev. Code § 117.38** provides, in part, that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. The report shall be certified by the proper officer or board and filed with the auditor of state within sixty days after the close of the fiscal year, except that public offices reporting pursuant to generally accepted accounting principles (GAAP) shall file their reports within one hundred fifty days after the close of the fiscal year. Ohio Admin. Code § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

**Ohio Admin. Code § 117-2-03(B)** requires, in part, all school districts to file annual financial reports which are prepared using generally accepted accounting principles.

The School District prepared its financial statements in accordance with the cash accounting basis. The accompanying financial statements omit assets, liabilities, deferred inflows/outflows, fund equities, and disclosures that, while material, cannot be determined at this time. Additionally, the School District filed its annual report for both fiscal years significantly after sixty days after the close of each fiscal year as the fiscal year 2016 and 2017 cash basis financial reports were filed November 11, 2017 and November 16, 2017, respectively. Pursuant to Ohio Rev. Code § 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report in a timely manner. Additionally, the School District could be declared un-auditable if an annual financial report is not filed in a timely manner.

The School District should prepare its financial statements in accordance with generally accepted accounting principles to provide users with more complete and meaningful financial statements. Additionally, the District should file its annual financial report in a timely manner (sixty days after year-end if a cash basis annual financial report is filed or one hundred fifty days after year-end if a GAAP annual financial report is filed).

**Officials' Response:** We did not receive a response from Officials to this finding.