



OHIO AUDITOR OF STATE
KEITH FABER



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

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CLERMONT COUNTY

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Bethel-Tate Local School District
Clermont County
675 West Plane Street
Bethel, Ohio 45106

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bethel-Tate Local School District, Clermont County, Ohio (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bethel-Tate Local School District, Clermont County, Ohio, as of June 30, 2019, and the respective changes in financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

February 3, 2020

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Bethel-Tate Local School District's (the School District) discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 2019. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- The School District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2019 by \$1,765,213.
- The School District's net position of governmental activities increased \$1,959,082.
- General revenues accounted for \$14,438,670 in revenue or 77 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,251,885 or 23 percent of total revenues of \$18,690,555.
- The School District had \$16,731,473 in expenses; \$4,251,885 of these expenses was offset by program specific charges for services and sales, grants, or contributions.

USING THIS ANNUAL FINANCIAL REPORT

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

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

REPORTING THE SCHOOL DISTRICT AS A WHOLE

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

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

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

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

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

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the School District is meeting legal responsibilities for use of grants. The major funds of the School District are the General Fund and the Bond Retirement Debt Service Fund.

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

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

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

THE SCHOOL DISTRICT AS A WHOLE

As stated previously, the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2019 compared to 2018.

Table 1
Net Position
Governmental Activities

| | Governmental Activities | |
|--|-------------------------|--------------------|
| | 2019 | 2018 |
| Assets | | |
| Current and Other Assets | \$10,233,720 | \$10,258,934 |
| Net OPEB Asset | \$910,308 | \$0 |
| Capital Assets, Net | 18,526,895 | 19,628,302 |
| Total Assets | 29,670,923 | 29,887,236 |
| Deferred Outflows of Resources: | | |
| Pensions | 4,618,509 | 4,993,634 |
| OPEB | 403,171 | 165,727 |
| Total Deferred Outflows of Resources | 5,021,680 | 5,159,361 |
| Liabilities | | |
| Current and Other Liabilities | 1,739,713 | 1,935,860 |
| Long-Term Liabilities: | | |
| Due Within One Year | 426,666 | 695,221 |
| Due in More than One Year: | | |
| Net Pension Liabilities | 16,363,347 | 16,674,523 |
| Net OPEB Liabilities | 1,904,339 | 3,813,723 |
| Other Amounts | 4,931,667 | 5,366,854 |
| Total Liabilities | 25,365,732 | 28,486,181 |
| Deferred Inflows of Resources: | | |
| Pensions | 2,276,208 | 2,446,477 |
| OPEB | 1,761,876 | 671,537 |
| Property Taxes not Levied to Finance Current Year Operations | 3,523,574 | 3,636,271 |
| Total Deferred Inflows of Resources | 7,561,658 | 6,754,285 |
| Net Position | | |
| Net Investment in Capital Assets | 14,079,837 | 14,306,072 |
| Restricted | 2,277,023 | 1,988,682 |
| Unrestricted (Deficit) | (14,591,647) | (16,488,623) |
| Total Net Position | \$1,765,213 | (\$193,869) |

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other post-employment benefits (OPEB) liability (asset) is another significant liability (asset) reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability (asset) to the reported net position and subtracting deferred outflows related to pension and OPEB.

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability (asset)*. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position. If there is a net OPEB asset, it will be reported in the asset section of the statement of net position. In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability (asset), respectively, not accounted for as deferred inflows/outflows.

Total net position of the School District as a whole increased \$1,959,082. Capital assets, net decreased due to current year depreciation and deletions, which was partially offset by current year additions. Deferred outflows of resources decreased due to decreased pension activity, which was partially offset by increased OPEB activity. Current and other liabilities decreased due to decreases in contracts payable due to the completion of a roofing project in the prior year. Long-term liabilities decreased primarily to the due to a decrease in the net OPEB liability along with principal payments on other long term debts. Deferred inflows of resources increased primarily due to OPEB activity.

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

Table 2 shows the changes in net position for the fiscal year ended June 30, 2019 compared to 2018.

Table 2
Change in Net Position
Governmental Activities

| | 2019 | 2018 |
|--|--------------|--------------|
| Revenues | | |
| Program Revenues: | | |
| Charges for Services and Sales | \$ 1,787,009 | \$ 1,903,546 |
| Operating Grants & Contributions | 2,464,876 | 2,262,910 |
| Total Program Revenues | 4,251,885 | 4,166,456 |
| General Revenues: | | |
| Grants and Entitlements, Not Restricted to Specific Programs | 9,191,068 | 9,474,683 |
| Gifts and Donations, Not Restricted to Specific Programs | 9,775 | 11,227 |
| Investment Earnings | 97,201 | 15,160 |
| Miscellaneous | 104,922 | 69,088 |
| Insurance Recoveries | 20,185 | - |
| Property Taxes | 5,015,519 | 4,759,979 |
| Total General Revenues | 14,438,670 | 14,330,137 |
| Total Revenues | 18,690,555 | 18,496,593 |
| Program Expenses | | |
| Instruction | | |
| Regular | 7,728,903 | 3,577,402 |
| Special | 2,474,217 | 1,539,193 |
| Other | 111,591 | 60,786 |
| Support Services | | |
| Pupils | 664,340 | 881,524 |
| Instructional Staff | 375,571 | 335,408 |
| Board of Education | 25,365 | 29,079 |
| Administration | 1,140,016 | 478,653 |
| Fiscal | 419,446 | 352,272 |
| Operation and Maintenance of Plant | 1,642,329 | 1,550,558 |
| Pupil Transportation | 814,269 | 903,906 |
| Central | 78,243 | 122,940 |
| Operation of Non-Instructional Services | 591,475 | 573,793 |
| Extracurricular Activities | 493,051 | 354,193 |
| Interest and Fiscal Charges | 172,657 | 184,883 |
| Total Expenses | 16,731,473 | 10,944,590 |
| Increase (Decrease) in Net Position | 1,959,082 | 7,552,003 |
| Net Position at Beginning of Year | (193,869) | (7,745,872) |
| Net Position at End of Year | \$ 1,765,213 | \$ (193,869) |

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

Charges for Services revenue decreased due to a decrease in tuition receipts in the General fund. The increase in property tax revenue is primarily due to amounts available as an advance. Grants and entitlements, not restricted for specific programs decreased due to a decrease in foundation monies received. Investment earnings increased due to interest rates and the investment portfolio held at year end. The increase in regular and special instruction is due mainly to pension and OPEB expense. Extracurricular expense increased due to an increase in district-managed expenses.

Unrestricted grants and entitlements comprised 49 percent of revenue for governmental activities of the Bethel-Tate Local School District for fiscal year 2019 and represent the largest source of revenue. Property taxes comprised 27 percent of revenue for governmental activities of the School District for fiscal year 2019.

Operating grants and contributions and charges for services and sales comprised 13 percent and 10 percent of revenue for governmental activities, respectively, during 2019.

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 62 percent of governmental program expenses with support services comprising 31 percent of governmental expenses. The Board of Education relies on State revenues to support increased student achievement within the School District.

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

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

| | 2019 | | 2018 | |
|---|---------------------------|-------------------------|---------------------------|-------------------------|
| | Total Cost of Services | Net Cost of Services | Total Cost of Services | Net Cost of Services |
| Instruction | \$ 10,314,711 | \$ 7,647,981 | \$ 5,177,381 | \$ 2,915,680 |
| Support Services | 5,159,579 | 4,625,449 | 4,654,340 | 3,832,281 |
| Operation of Non-Instructional Services | 591,475 | 10,682 | 573,793 | (32,050) |
| Extracurricular Activities | 493,051 | 36,929 | 354,193 | (96,039) |
| Interest and Fiscal Charges | 172,657 | 158,547 | 184,883 | 158,262 |
| Total Expenses | \$ 16,731,473 | \$ 12,479,588 | \$ 10,944,590 | \$ 6,778,134 |

THE SCHOOL DISTRICT'S FUNDS

Information about the School District's major governmental funds begins on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$19,331,132 and expenditures and other financing uses of \$19,023,638. The net change in fund balance for the year was most significant in the General Fund.

The fund balance of the General Fund increased by \$51,669. This increase is primarily due to revenues exceeding expenditures during the current year.

The fund balance of the Bond Retirement Fund increased by \$24,481. This increase was due to the payments for debt within the fund being lower than revenues.

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

General Fund Budgeting Highlights

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

During 2019, there were revisions made to the General Fund budget. In part, the revisions increased revenues and other financing sources by \$355,010 primarily due to transfers in. Actual revenues and other financing sources were above final estimates in the amount of \$25,593. The revisions to the General budget decreased the appropriations by \$297,548. Final budgeted appropriations were just slightly higher than the actual expenditures due to the School District maintaining tight fiscal control over expenditures. The School District's ending unobligated cash balance was \$2,277,462.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2019, the School District had \$18,526,895 invested in its capital assets. Table 4 shows the fiscal year 2019 balances compared to 2018.

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

| | Governmental Activities | |
|----------------------------|-------------------------|---------------|
| | 2019 | 2018 |
| Land | \$ 1,117,851 | \$ 1,117,851 |
| Library Books | 594,334 | 594,334 |
| Construction in Progress | - | 214,253 |
| Land Improvements | 522,138 | 573,045 |
| Buildings and Improvements | 15,736,106 | 16,439,219 |
| Furniture and Equipment | 113,214 | 169,548 |
| Vehicles | 387,414 | 456,351 |
| Books | 31,473 | 33,713 |
| Infrastructure | 24,365 | 29,988 |
| | \$ 18,526,895 | \$ 19,628,302 |

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

Bethel-Tate Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2019
(Unaudited)

Debt

At June 30, 2019, the School District had \$4,447,058 in bonds, capital leases and certificates of participation outstanding at fiscal year-end with \$702,929 due within one year. Table 5 summarizes the School District's outstanding debt:

Table 5
 Outstanding Debt at Year End
 Governmental Activities

| | 2019 | 2018 |
|---|---------------|---------------|
| 2016 General Obligation Refunding Bonds - 1.61% | \$ 1,600,000 | \$ 2,080,000 |
| 2014 Energy Conservation General Obligation Bonds - 3.31% | 573,000 | 621,000 |
| Total Long-Term Bonds | 2,173,000 | 2,701,000 |
| Capital Leases | 547,058 | 615,273 |
| Certificate of Participation Payable | 1,727,000 | 1,803,000 |
| Total Long Term Debt | \$ 4,447,058 | \$ 5,119,273 |

At June 30, 2019 the School District's overall legal debt margin was \$13,528,907 with an unvoted debt margin of \$187,288. For additional information regarding the debt of the School District, please see Note 11 to the Basic Financial Statements.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

Bethel-Tate Local School District
Statement of Net Position
June 30, 2019

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Current Assets: | |
| Equity in Pooled Cash and Investments | \$ 5,030,240 |
| Accounts Receivable | 78,590 |
| Accrued Interest Receivable | 9,359 |
| Prepaid Items | 12,759 |
| Intergovernmental Receivable | 249,992 |
| Taxes Receivable | 4,852,780 |
| Noncurrent Assets: | |
| Nondepreciable Capital Assets | 1,712,185 |
| Depreciable Capital Assets, Net | 16,814,710 |
| Net OPEB Asset | 910,308 |
| <i>Total Assets</i> | <i>29,670,923</i> |
| Deferred Outflows of Resources | |
| Pension: | |
| State Teachers Retirement System | 3,829,975 |
| School Employees Retirement System | 788,534 |
| OPEB: | |
| State Teachers Retirement System | 179,572 |
| School Employees Retirement System | 223,599 |
| <i>Total Deferred Outflows of Resources</i> | <i>5,021,680</i> |
| Liabilities | |
| Current Liabilities: | |
| Accounts Payable | 112,530 |
| Accrued Wages and Benefits Payable | 1,332,428 |
| Intergovernmental Payable | 264,009 |
| Accrued Interest Payable | 4,902 |
| Matured Compensated Absences Payable | 25,844 |
| Noncurrent Liabilities: | |
| Due Within One Year | 736,758 |
| Due in More Than One Year | |
| Net Pension Liability (See Note 9) | 16,363,347 |
| Net OPEB Liability (See Note 10) | 1,904,339 |
| Other Amounts Due in More Than One Year | 4,621,575 |
| <i>Total Liabilities</i> | <i>25,365,732</i> |
| Deferred Inflows of Resources | |
| Pensions: | |
| State Teachers Retirement System | 2,027,652 |
| School Employees Retirement System | 248,556 |
| OPEB: | |
| State Teachers Retirement System | 1,544,319 |
| School Employees Retirement System | 217,557 |
| Property Taxes not Levied to Finance Current Year Operations | 3,523,574 |
| <i>Total Deferred Inflows of Resources</i> | <i>7,561,658</i> |
| Net Position | |
| Net Investment in Capital Assets | 14,079,837 |
| Restricted for: | |
| Debt Service | 1,640,818 |
| Capital Outlay | 413,504 |
| Other Purposes | 222,701 |
| Unrestricted | (14,591,647) |
| <i>Total Net Position</i> | <i>\$ 1,765,213</i> |

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2019

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|---|----------------------|-----------------------------------|---------------------------------------|--|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | |
| GOVERNMENTAL ACTIVITIES | | | | |
| Instruction: | | | | |
| Regular | \$ 7,728,903 | \$ 634,575 | \$ 229,267 | \$ (6,865,061) |
| Special | 2,474,217 | 201,990 | 1,578,562 | (693,665) |
| Other | 111,591 | 10,929 | 11,407 | (89,255) |
| Support Services: | | | | |
| Pupils | 664,340 | 62,772 | 6,846 | (594,722) |
| Instructional Staff | 375,571 | 29,744 | 12,855 | (332,972) |
| Board of Education | 25,365 | 2,389 | - | (22,976) |
| Administration | 1,140,016 | 108,490 | - | (1,031,526) |
| Fiscal | 419,446 | 41,069 | 557 | (377,820) |
| Operation and Maintenance of Plant | 1,642,329 | 138,086 | 36,928 | (1,467,315) |
| Pupil Transportation | 814,269 | 69,612 | 17,691 | (726,966) |
| Central | 78,243 | 7,091 | - | (71,152) |
| Operation of Non-Instructional Services | 591,475 | 234,865 | 345,928 | (10,682) |
| Extracurricular Activities | 493,051 | 231,287 | 224,835 | (36,929) |
| Interest and Fiscal Charges | 172,657 | 14,110 | - | (158,547) |
| <i>Total Governmental Activities</i> | <u>\$ 16,731,473</u> | <u>\$ 1,787,009</u> | <u>\$ 2,464,876</u> | (12,479,588) |

| | | |
|---|--|---------------------|
| GENERAL REVENUES | | |
| Grants and Entitlements not Restricted to Specific Programs | | 9,191,068 |
| Gifts and Donations not Restricted to Specific Programs | | 9,775 |
| Investment Earnings | | 97,201 |
| Miscellaneous | | 104,922 |
| Insurance Recoveries | | 20,185 |
| Property Taxes Levied for: | | |
| General Purposes | | 4,492,284 |
| Special Purposes | | 55,864 |
| Debt Service | | 467,371 |
| <i>Total General Revenues</i> | | <u>14,438,670</u> |
| Change in Net Position | | 1,959,082 |
| <i>Net Position Beginning of Year - As Restated</i> | | <u>(193,869)</u> |
| <i>Net Position End of Year</i> | | <u>\$ 1,765,213</u> |

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Balance Sheet
Governmental Funds
June 30, 2019

| | General | Bond Retirement | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------|-----------------------------|-----------------------------|
| ASSETS | | | | |
| Equity in Pooled Cash and Investments | \$ 2,811,873 | \$ 1,520,902 | \$ 697,465 | \$ 5,030,240 |
| Accrued Interest Receivable | 9,359 | - | - | 9,359 |
| Prepaid Items | 12,759 | - | - | 12,759 |
| Interfund Receivable | 149,604 | - | - | 149,604 |
| Accounts Receivable | 78,590 | - | - | 78,590 |
| Intergovernmental Receivable | 24,872 | - | 225,120 | 249,992 |
| Taxes Receivable | 4,360,114 | 437,398 | 55,268 | 4,852,780 |
| <i>Total Assets</i> | <u>\$ 7,447,171</u> | <u>\$ 1,958,300</u> | <u>\$ 977,853</u> | <u>\$ 10,383,324</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 107,986 | \$ - | \$ 4,544 | \$ 112,530 |
| Accrued Wages and Benefits Payable | 1,206,644 | - | 125,784 | 1,332,428 |
| Interfund Payable | - | - | 149,604 | 149,604 |
| Intergovernmental Payable | 233,516 | - | 30,493 | 264,009 |
| Matured Compensated Absences Payable | 25,844 | - | - | 25,844 |
| <i>Total Liabilities</i> | <u>1,573,990</u> | <u>-</u> | <u>310,425</u> | <u>1,884,415</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Property taxes not Levied to Finance Current Year Operations | 3,166,444 | 317,482 | 39,648 | 3,523,574 |
| Unavailable Revenue - Delinquent Taxes | 92,114 | 9,368 | 1,228 | 102,710 |
| Unavailable Revenue - Grants | - | - | 71,399 | 71,399 |
| <i>Total Deferred Inflows of Resources</i> | <u>3,258,558</u> | <u>326,850</u> | <u>112,275</u> | <u>3,697,683</u> |
| FUND BALANCES | | | | |
| Nonspendable | 12,759 | - | - | 12,759 |
| Restricted | - | 1,631,450 | 245,980 | 1,877,430 |
| Committed | - | - | 413,504 | 413,504 |
| Assigned | 1,057,006 | - | - | 1,057,006 |
| Unassigned | 1,544,858 | - | (104,331) | 1,440,527 |
| <i>Total Fund Balances</i> | <u>2,614,623</u> | <u>1,631,450</u> | <u>555,153</u> | <u>4,801,226</u> |
| <i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i> | <u>\$ 7,447,171</u> | <u>\$ 1,958,300</u> | <u>\$ 977,853</u> | <u>\$ 10,383,324</u> |

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2019

| | | |
|---|--------------|---------------------|
| Total Governmental Fund Balances | | \$ 4,801,226 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 18,526,895 |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. | | |
| Taxes | 102,710 | |
| Intergovernmental | 71,399 | |
| Total | | 174,109 |
| The net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in the funds. | | |
| Deferred outflows of resources related to pensions | 4,618,509 | |
| Deferred outflows of resources related to OPEB | 403,171 | |
| Deferred inflows of resources related to pensions | (2,276,208) | |
| Deferred inflows of resources related to OPEB | (1,761,876) | |
| Net Pension Liability | (16,363,347) | |
| Net OPEB Asset | 910,308 | |
| Net OPEB Liability | (1,904,339) | |
| Total | | (16,373,782) |
| Accrued interest payable on long-term debt is not reported in the funds. | | (4,902) |
| Long-term liabilities , including bonds, certificates of participation, capital lease obligations, and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds. | | |
| Capital Lease Obligations | (547,058) | |
| Compensated Absences | (911,275) | |
| Certificates of Participation | (1,727,000) | |
| General Obligation Refunding Bonds | (1,600,000) | |
| HB 264 Bonds | (573,000) | |
| Total | | (5,358,333) |
| Net Position of Governmental Activities | | \$ 1,765,213 |

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

| | General | Bond Retirement | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|---------------------|--------------------------------|--------------------------------|
| REVENUES | | | | |
| Taxes | \$ 4,487,487 | \$ 467,660 | \$ 55,788 | \$ 5,010,935 |
| Intergovernmental | 10,448,973 | 73,938 | 1,157,982 | 11,680,893 |
| Interest | 95,912 | - | 1,289 | 97,201 |
| Tuition and Fees | 1,325,258 | - | - | 1,325,258 |
| Rent | 2,219 | - | - | 2,219 |
| Extracurricular Activities | 37,963 | - | 187,972 | 225,935 |
| Customer Sales and Services | - | - | 233,597 | 233,597 |
| Gifts and Donations | 9,775 | - | 4,212 | 13,987 |
| Miscellaneous | 101,340 | - | 3,582 | 104,922 |
| <i>Total Revenues</i> | <u>16,508,927</u> | <u>541,598</u> | <u>1,644,422</u> | <u>18,694,947</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 7,946,707 | - | 381,463 | 8,328,170 |
| Special | 2,375,568 | - | 415,831 | 2,791,399 |
| Other | 135,750 | - | - | 135,750 |
| Support Services: | | | | |
| Pupils | 699,770 | - | 11,415 | 711,185 |
| Instructional Staff | 334,557 | - | 20,610 | 355,167 |
| Board of Education | 23,836 | - | - | 23,836 |
| Administration | 1,331,437 | - | - | 1,331,437 |
| Fiscal | 407,824 | - | 929 | 408,753 |
| Operation and Maintenance of Plant | 1,397,282 | - | 61,577 | 1,458,859 |
| Pupil Transportation | 687,287 | - | 29,499 | 716,786 |
| Central | 72,256 | - | - | 72,256 |
| Operation of Non-Instructional Services | 912 | - | 584,890 | 585,802 |
| Extracurricular Activities | 68,344 | - | 375,537 | 443,881 |
| Capital Outlay | 51,445 | - | 147,327 | 198,772 |
| Debt Service: | | | | |
| Principal | 184,679 | 487,536 | - | 672,215 |
| Interest and Fiscal Charges | 143,789 | 29,581 | - | 173,370 |
| <i>Total Expenditures</i> | <u>15,861,443</u> | <u>517,117</u> | <u>2,029,078</u> | <u>18,407,638</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>647,484</u> | <u>24,481</u> | <u>(384,656)</u> | <u>287,309</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Insurance Recoveries | 20,185 | - | - | 20,185 |
| Transfers In | - | - | 616,000 | 616,000 |
| Transfers Out | (616,000) | - | - | (616,000) |
| <i>Total Other Financing Sources(Uses)</i> | <u>(595,815)</u> | <u>-</u> | <u>616,000</u> | <u>20,185</u> |
| <i>Net Change in Fund Balances</i> | 51,669 | 24,481 | 231,344 | 307,494 |
| <i>Fund Balances Beginning of Year</i> | <u>2,562,954</u> | <u>1,606,969</u> | <u>323,809</u> | <u>4,493,732</u> |
| <i>Fund Balances End of Year</i> | <u>\$ 2,614,623</u> | <u>\$ 1,631,450</u> | <u>\$ 555,153</u> | <u>\$ 4,801,226</u> |

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018*

| | | |
|---|--------------------|-------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 307,494 |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> | | |
| <p>Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.</p> | | |
| Capital Asset Additions | 211,865 | |
| Current Year Depreciation | <u>(1,227,869)</u> | |
| Total | | (1,016,004) |
| <p>Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal.</p> | | |
| Loss on Disposal of Capital Assets | <u>(85,503)</u> | |
| Total | | (85,503) |
| <p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p> | | |
| Taxes | 4,584 | |
| Intergovernmental | <u>(29,161)</u> | |
| Total | | (24,577) |
| <p>Repayment of bond principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.</p> | | |
| | | 528,000 |
| <p>Repayment of capital lease obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.</p> | | |
| | | 68,215 |
| <p>Repayment of certificate of participation obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.</p> | | |
| | | 76,000 |
| <p>Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.</p> | | |
| | | 1,278,576 |
| <p>Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.</p> | | |
| | | (1,125,779) |
| <p>Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability (asset) are reported as pension expense in the statement of activities.</p> | | |
| | | 1,920,320 |
| <p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p> | | |
| Decrease in Compensated Absences | 31,527 | |
| Decrease in Interest Payable | <u>813</u> | |
| Total | | <u>32,340</u> |
| Net Change in Net Position of Governmental Activities | \$ | <u>1,959,082</u> |

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2019

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget: Positive (Negative)</u> |
|---|-------------------------|---------------------|---------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES: | | | | |
| Taxes | \$ 4,185,100 | \$ 4,399,538 | \$ 4,399,538 | \$ - |
| Intergovernmental | 10,654,715 | 10,475,713 | 10,475,763 | 50 |
| Interest | 32,000 | 55,169 | 60,527 | 5,358 |
| Tuition and Fees | 1,313,000 | 1,260,627 | 1,260,627 | - |
| Rent | 5,000 | 2,219 | 2,219 | - |
| Gifts and Donations | - | - | - | - |
| Customer Sales and Services | 10,500 | - | - | - |
| Miscellaneous | 2,500 | 10,853 | 10,853 | - |
| Total Revenues | <u>16,202,815</u> | <u>16,204,119</u> | <u>16,209,527</u> | <u>5,408</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 8,854,105 | 7,672,515 | 7,672,515 | - |
| Special | 2,440,994 | 2,482,624 | 2,482,624 | - |
| Other | 99,564 | 132,832 | 132,832 | - |
| Support Services: | | | | |
| Pupils | 937,741 | 930,617 | 927,254 | 3,363 |
| Instructional Staff | 298,525 | 362,941 | 362,941 | - |
| Board of Education | 26,000 | 24,093 | 24,093 | - |
| Administration | 944,736 | 1,291,310 | 1,291,282 | 28 |
| Fiscal | 348,955 | 416,350 | 416,214 | 136 |
| Operation and Maintenance of Plant | 1,262,535 | 1,496,859 | 1,496,859 | - |
| Pupil Transportation | 586,591 | 714,328 | 714,328 | - |
| Central | 119,000 | 86,078 | 86,078 | - |
| Capital Outlay | 422,286 | 411,993 | 411,993 | - |
| Debt Service: | | | | |
| Principal | 164,000 | 164,000 | 164,000 | - |
| Interest | 134,822 | 134,823 | 134,823 | - |
| Total Expenditures | <u>16,639,854</u> | <u>16,321,363</u> | <u>16,317,836</u> | <u>3,527</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(437,039)</u> | <u>(117,244)</u> | <u>(108,309)</u> | <u>8,935</u> |
| OTHER FINANCING SOURCES AND (USES): | | | | |
| Transfers In | 300,000 | 614,678 | 614,678 | - |
| Refund of Prior Year Expenditures | - | 22,028 | 22,028 | - |
| Refund of Prior Year Receipts | (500) | - | - | - |
| Insurance Recoveries | - | - | 20,185 | 20,185 |
| Advances In | - | 17,000 | 17,000 | - |
| Transfers Out | (1,230,000) | (1,271,443) | (1,271,443) | - |
| Advances Out | (20,000) | - | - | - |
| Total Other Financing Sources and (Uses) | <u>(950,500)</u> | <u>(617,737)</u> | <u>(597,552)</u> | <u>20,185</u> |
| Net Change in Fund Balances | (1,387,539) | (734,981) | (705,861) | 29,120 |
| Fund Balance at Beginning of Year | 2,721,350 | 2,721,350 | 2,721,350 | - |
| Prior Year Encumbrances Appropriated | 261,973 | 261,973 | 261,973 | - |
| Fund Balance at End of Year | <u>\$ 1,595,784</u> | <u>\$ 2,248,342</u> | <u>\$ 2,277,462</u> | <u>\$ 29,120</u> |

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

| | <u>Private Purpose Trust Fund</u> | <u>Agency Fund</u> |
|---------------------------------------|---|--------------------|
| ASSETS: | | |
| Equity in Pooled Cash and Investments | <u>\$ 2,314</u> | <u>\$ 52,727</u> |
| LIABILITIES: | | |
| Undistributed Monies | <u>-</u> | <u>52,727</u> |
| <i>Total Liabilities</i> | | <u>\$ 52,727</u> |
| NET POSITION: | | |
| Held in Trust for Scholarships | <u>2,314</u> | |
| <i>Total Net Position</i> | <u>\$ 2,314</u> | |

See accompanying notes to the basic financial statements.

Bethel-Tate Local School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2019

| | <u>Private Purpose Trust Fund</u> |
|--|---|
| ADDITIONS: | |
| Gifts and Contributions | <u>\$ 1,000</u> |
| <i>Total Additions</i> | 1,000 |
| DEDUCTIONS: | |
| Payments in Accordance with Trust Agreements | <u>2,196</u> |
| Change in Net Position | (1,196) |
| <i>Net Position Beginning of Year</i> | <u>3,510</u> |
| <i>Net Position End of Year</i> | <u><u>\$ 2,314</u></u> |

See accompanying notes to the basic financial statements.

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Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in the early 1800s through the consolidation of existing land areas and school districts. The School District serves an area of approximately 48.04 square miles. It is located in Clermont County, and includes the Village of Bethel and Tate Township. It is staffed by 85 non-certificated employees and administrative employees and 98 certificated full-time teaching personnel who provide services to 1,604 students and other community members. The School District currently operates 4 instructional buildings, 1 Central Office/Transportation Building, and 1 maintenance garage.

Reporting Entity:

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

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

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

- Boosters Clubs

The School District is associated with six organizations, three of which are defined as jointly governed organizations, one as a public entity shared risk pool, and one as an insurance purchasing pool. These organizations are the Unified Purchasing Cooperative of the Ohio River Valley, the U.S. Grant Joint Vocational School, the Hamilton/Clermont Cooperative, the Southwestern Ohio Educational Purchasing Council, the Southwestern Ohio Educational Purchasing Council Medical Insurance and Benefit Plan Trust, and the Sheakley Workers' Comp and Safety Group Retrospective Rating Plan. These organizations and the School District's participation are discussed in Notes 7, 12, 13 and 14 to the Basic Financial Statements.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Fund Accounting

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

Governmental Funds

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

General Fund

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

Bond Retirement Fund

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

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

Fiduciary Funds

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

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Fund Financial Statements

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

Measurement Focus

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

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

The private purpose trust fund is reported using the economic resources measurement focus.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using either the modified accrual basis of accounting for governmental funds or the accrual basis of accounting for fiduciary funds. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unavailable revenue, the presentation of expenses versus expenditures, the recording of deferred inflows and outflows of resources related to net pension and net OPEB liabilities (assets), and the recording of net pension and net OPEB liabilities (assets).

Revenues – Exchange and Non-Exchange Transactions

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

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

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

Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditures/expenses) until then. The School District recorded a deferred outflow of resources for pensions and other postemployment benefits. The deferred outflows of resources related to the pension and other postemployment benefits are explained in Note 9 and Note 10, respectively. The School District also reports a deferred inflow of resources which represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenues) until that time. For the School District these amounts consist of taxes and grants which are not collected in the available period and pensions and other postemployment benefits. The difference between deferred inflows on the Statement of Net Position and the Balance Sheet is partially due to delinquent property taxes, and grants not received during the available period. These were reported as revenues on the Statement of Activities and not recorded as deferred inflows on the Statement of Net Position. Deferred inflows of resources related to pension are reported on the Statement of Net Position. (See Note 9). Deferred inflows of resources related to other postemployment benefits are reported on the Statement of Net Position. (See Note 10)

Expenses/Expenditures

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Budgetary Process

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

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

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

Cash and Investments

Cash received by the School District is deposited into one of several bank accounts with individual fund balance integrity maintained. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. All investment earnings accrue to the General Fund except those specifically related to those funds deemed appropriate according to Board of Education policy. Interest earned amounted to \$97,201 in which \$95,912 was recorded in the General Fund and \$1,289 was recorded in the other governmental funds.

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000.

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

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

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

Compensated Absences

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

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

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

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

Accrued Liabilities and Long-Term Obligations

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Liabilities and Long-Term Obligations (Continued)

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

Interfund Balances

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year, are referred to as either “due to/from other funds” or as “interfund receivable/payable.” All unpaid reimbursements between funds are report as “due to/from other funds.” These amounts are generally eliminated in the governmental activities column of the statement of net position. See note 17 for interfund balances.

Net Position

Net position represents the difference between asset, liabilities and deferred inflows/outflows of resources. Net investment in capital assets; consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes represents balances in special revenue funds for grants received which are restricted as to their use by grantors.

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

The government-wide statement of net position reports \$2,277,023 in restricted net position, none of which is restricted by enabling legislation.

Interfund Transactions

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

Fund Balance

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

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

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

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

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

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

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

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

Estimates

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

Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension liability, net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension/OPEB expense, 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/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 3 - BUDGET TO GAAP RECONCILIATION

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

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

1. Revenues are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budgetary basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a restriction, commitment or assignment of fund balance for governmental fund types (GAAP basis).
4. Funds treated as General Fund equivalents on the GAAP basis are not included on the budget basis.

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

| | Net Change in Fund Balance General |
|--|---------------------------------------|
| GAAP Basis | \$51,669 |
| Adjustments: | |
| Revenue Accruals | 377,889 |
| Expenditure Accruals | (621,414) |
| Perspective Difference: | |
| Activity of Funds Reclassed for GAAP Reporting Purposes | (10,006) |
| Encumbrances | (503,999) |
| Budget Basis | \$(705,861) |

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Interim moneys 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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations bonds and other obligations of political subdivisions of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time 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. Payment for investments may be made to the treasurer or qualified trustee only upon delivery of the securities representing the investments or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits Custodial credit risk is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,076,077 of the School District's bank balance of \$2,326,077 was exposed to custodial credit risk because those deposits were uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

The School District does not have a deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments At June 30, 2019, the School District had the following investments:

| Investment Type | Fair Value | Less Than One Year | 1-2 Years | 3-5 Years |
|-------------------------------------|--------------------|-----------------------|--------------------|------------------|
| Money Market Funds | \$8,667 | \$8,667 | \$- | \$- |
| U.S. Treasury Bills | 439,046 | 439,046 | - | - |
| FNMA Notes | 188,864 | - | 188,864 | - |
| FHLMC Notes | 200,402 | - | - | 200,402 |
| FHLB Notes | 184,195 | - | 184,195 | - |
| Negotiable Certificates of Deposits | 1,770,560 | 396,904 | 670,650 | 703,006 |
| Total | \$2,791,734 | \$844,617 | \$1,043,709 | \$903,408 |

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2019. All investments of the School District are valued using quoted market prices (Level 1 inputs).

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District's policy places limitations on the types of investments the School District may invest in. The School District's policy authorizes investment in allowable securities as outlined in Ohio Revised Code Section 135. The School District's investments in U.S. Treasury Bills were rated P-1 by Moody's and A-1+ by Standard & Poor's. The School District's investments in FNMA, FHLB and FHLMC were each rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The Money Market Funds were rated AAAm by Standard & Poor's. The School District's investments in individual marketable certificates of deposits are fully insured by the Federal Deposit Insurance Corporation.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk. The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of total of each investment type held by the School District at June 30, 2019:

| Investment Type | Fair Value | % of Total |
|------------------------------------|--------------------|---------------|
| Money Market Funds | \$8,667 | 0.3% |
| U.S. Treasury Bills | 439,046 | 15.7% |
| FNMA Notes | 188,864 | 6.8% |
| FHLMC Notes | 200,402 | 7.2% |
| FHLB Notes | 184,195 | 6.6% |
| Negotiable Certificate of Deposits | 1,770,560 | 63.4% |
| Total | \$2,791,734 | 100.0% |

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

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien on December 31, 2017, were levied after April 1, 2018, and are collected in 2019 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Clermont and Brown Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 5 - PROPERTY TAXES (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2019. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2019, was \$1,101,556 in the General Fund, \$110,548 in the Debt Service Fund, and \$14,392 in Other Governmental Funds.

The assessed values upon which fiscal year 2019 taxes were collected are:

| | 2018 Second- Half Collections | | 2019 First- Half Collections | |
|---|----------------------------------|----------------|---------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential and Other Real Estate | \$ 180,532,070 | 96.88% | \$ 180,994,530 | 96.64% |
| Public Utility | 5,811,970 | 3.12% | 6,293,320 | 3.36% |
| Total Assessed Value | <u>\$ 186,344,040</u> | <u>100.00%</u> | <u>\$ 187,287,850</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$ 43.46 | | \$ 42.43 | |

NOTE 6 - RECEIVABLES

Receivables at June 30, 2019, consisted of property taxes, interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

| | |
|----------------------------------|-------------------|
| Major Fund: | |
| General Fund | \$ 24,872 |
| Non-major Special Revenue Funds: | |
| High Schools that Work | 6,399 |
| Title VI B | 132,426 |
| Title I | 67,736 |
| IDEA Preschool | 12,552 |
| Title II-A | 3,157 |
| Miscellaneous Federal Grants | 2,850 |
| | <u>\$ 249,992</u> |

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 7 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2019, the School District contracted with Markel Insurance Company for coverage for liability, real property, building and contents, and vehicles. Vehicles policies include liability coverage for bodily injury and property damage. Coverage provided is as follows:

| | |
|---|--------------|
| Building and Contents-replacement cost (\$2,500 deductible) | \$51,158,457 |
| Automobile Liability (No deductible) | 1,000,000 |
| Uninsured Motorists (No deductible) | 1,000,000 |
| General Liability | |
| Per occurrence | 1,000,000 |
| Total per year | 3,000,000 |

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

For fiscal year 2019, the School District participated in the Sheakley Workers' Compensation and Safety Group Retrospective Rating Plan (Plan), an insurance purchasing pool (Note 14). The intent of the GRP is to reward participants that are able to keep their claims cost low. School districts continue to pay their individual premium directly to the Ohio Bureau of Workers' Compensation (BWC). School districts will then have future premium adjustments (refunds or assessments) at the end of each of the three evaluation periods. For the 2017 Plan, the evaluation periods will be January 2018, January 2019 and January 2020. Refunds or assessments will be calculated by the Ohio BWC, based on the pro-rata share of the districts individual premium compared to the overall Plan premium.

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

The School District is a member of the Southwestern Ohio Educational Purchasing Council Medical Insurance and Benefit Plan Trust, which is a public entity shared risk pool. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical and dental insurance benefits to the employees of the participants. The Trust is governed by the Southwestern Ohio Educational Purchasing Cooperative and its participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Trust and payment of the monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 8 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2019, was as follows:

| | Ending Balance 06/30/18 | Additions | Deletions | Ending Balance 06/30/19 |
|---|-------------------------------|---------------------|---------------------|----------------------------|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depreciated | | | | |
| Library Books | \$ 594,334 | \$ - | \$ - | \$ 594,334 |
| Land | 1,117,851 | - | - | 1,117,851 |
| Construction in Progress | 214,253 | - | (214,253) | - |
| Total Capital Assets, Not Being Depreciated | <u>1,926,438</u> | <u>-</u> | <u>(214,253)</u> | <u>1,712,185</u> |
| Capital Assets Being Depreciated | | | | |
| Land Improvements | 1,424,071 | - | - | 1,424,071 |
| Buildings and Improvements | 38,674,695 | 426,118 | (183,006) | 38,917,807 |
| Furniture and Equipment | 2,049,771 | - | - | 2,049,771 |
| Vehicles | 1,443,509 | - | (10,949) | 1,432,560 |
| Books | 136,616 | - | - | 136,616 |
| Infrastructure | 125,454 | - | - | 125,454 |
| Total Capital Assets, Being Depreciated | <u>43,854,116</u> | <u>426,118</u> | <u>(193,955)</u> | <u>44,086,279</u> |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (851,026) | (50,907) | - | (901,933) |
| Buildings and Improvements | (22,235,476) | (1,043,828) | 97,603 | (23,181,701) |
| Furniture and Equipment | (1,880,223) | (56,334) | - | (1,936,557) |
| Vehicles | (987,158) | (68,937) | 10,949 | (1,045,146) |
| Books | (102,903) | (2,240) | - | (105,143) |
| Infrastructure | (95,466) | (5,623) | - | (101,089) |
| Total Accumulated Depreciation | <u>(26,152,252)</u> | <u>(1,227,869)</u> | <u>108,552</u> | <u>(27,271,569)</u> |
| Total Capital Assets Being Depreciated, Net | <u>17,701,864</u> | <u>(801,751)</u> | <u>(85,403)</u> | <u>16,814,710</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 19,628,302</u> | <u>\$ (801,751)</u> | <u>\$ (299,656)</u> | <u>\$ 18,526,895</u> |

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 8 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

| | | |
|---|----|------------------|
| Instruction: | | |
| Regular | \$ | 822,724 |
| Other | | 205 |
| Support Services: | | |
| Pupils | | 12,386 |
| Instructional Staff | | 47,713 |
| Board of Education | | 952 |
| Administration | | 32,205 |
| Operation and Maintenance of Plant | | 174,535 |
| Pupil Transportation | | 70,485 |
| Central | | 5,598 |
| Operation of Non-Instructional Services | | 1,603 |
| Extracurricular Activities | | 59,463 |
| Total Depreciation Expense | \$ | <u>1,227,869</u> |

NOTE 9 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions between an employer and its employees of salaries and benefits for employee services. Pensions and OPEB 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 obligation to sacrifice resources for pensions and OPEB are a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability (asset) represent the District's proportionate share of each pension and OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension and OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) 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 these estimates annually.

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

GASB Statements No. 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liability/Net OPEB Liability (Asset) (Continued)

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension/OPEB liability (asset) on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in accrued wages and benefits on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 10 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School 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 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.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

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, 2019, 13.5% was designated to pension, death benefits, and Medicare B. There was 0.5% allocated to the Health Care Fund for fiscal year 2019.

The School District’s contractually required contribution to SERS was \$290,800 for fiscal year 2019. Of this amount \$18,834 is reported as an intergovernmental payable.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description - 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.

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 is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients’ base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 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, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member 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 service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

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 to 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 Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll effective July 1, 2016. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description - State Teachers Retirement System (STRS) (Continued)

maximum rates. The School District's contractually required contribution to STRS Ohio was \$944,211 for fiscal year 2019. Of this amount \$164,372 is reported as an intergovernmental payable.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability reported as of June 30, 2019 was measured as of June 30, 2018, 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 and pension expense:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|-------------------|--------------------|--------------|
| Proportionate Share of the Net Pension Liability - Current Year | 0.0682233% | 0.05665004% | |
| Proportionate Share of the Net Pension Liability - Prior Year | <u>0.0620185%</u> | <u>0.05459456%</u> | |
| Change in Proportionate Share Proportion of the Net Pension Liability | <u>0.0062048%</u> | <u>0.00205548%</u> | |
| Liability | \$3,907,275 | \$12,456,072 | \$16,363,347 |
| Pension Expense (Gain) | \$384,344 | \$781,070 | \$1,165,414 |

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Deferred Outflows of Resources | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|-------------------|---------------------|---------------------|
| Differences between expected and actual economic experience | \$ 214,289 | \$ 287,524 | \$ 501,813 |
| Difference from a change in proportion and differences between School District contributions and proportionate share of contributions | 221,807 | 367,104 | 588,911 |
| Changes of assumptions | 88,235 | 2,207,451 | 2,295,686 |
| School District contributions subsequent to the measurement date | <u>264,203</u> | <u>967,896</u> | <u>1,232,099</u> |
| Total | <u>\$ 788,534</u> | <u>\$ 3,829,975</u> | <u>\$ 4,618,509</u> |

| Deferred Inflows of Resources | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|-------------------|---------------------|---------------------|
| Differences between expected and actual economic experience | \$ - | \$ 81,346 | \$ 81,346 |
| Differences between projected and actual investment earnings | 108,258 | 755,322 | 863,580 |
| Difference from a change in proportion and differences between School District contributions and proportionate share of contributions | <u>140,298</u> | <u>1,190,984</u> | <u>1,331,282</u> |
| Total | <u>\$ 248,556</u> | <u>\$ 2,027,652</u> | <u>\$ 2,276,208</u> |

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

\$1,232,099 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Fiscal Year Ending June 30: | SERS | STRS | Total |
|-----------------------------|------------------|------------------|--------------------|
| 2020 | \$362,734 | \$684,359 | \$1,047,093 |
| 2021 | 74,469 | 305,203 | 379,672 |
| 2022 | (128,227) | (74,814) | (203,041) |
| 2023 | (33,201) | (80,321) | (113,522) |
| Total | \$275,775 | \$834,427 | \$1,110,202 |

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, 2018, are presented below:

| | |
|--|--|
| Future Salary Increases, including inflation | 3.50 percent to 18.20 percent |
| COLA or Ad Hoc COLA | 2.50 percent |
| Inflation | 3.00 percent |
| Investment Rate of Return | 7.50 percent net of investments expense, including inflation |
| Actuarial Cost Method | Entry Age Normal (Level Percent of Payroll) |

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,

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – SERS (continued)

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 most recent experience study was completed for the five-year period ended June 30, 2015.

The long-term return expectation for the Pension Plan Investments has been determined by 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 an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes.

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return |
|----------------------|----------------------|---|
| Cash | 1.00 % | 0.50 % |
| US Stocks | 22.50 | 4.75 |
| Non-US Stocks | 22.50 | 7.00 |
| Fixed Income | 19.00 | 1.50 |
| Private Equity | 10.00 | 8.00 |
| Real Estate | 15.00 | 5.00 |
| Multi-Asset Strategy | 10.00 | 3.00 |
| Total | 100.00 % | |

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.

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.

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$5,503,691 | \$3,907,275 | \$2,568,786 |

Assumptions and Benefit Changes Since the Prior Measurement Date - With the authority granted the Board under Senate Bill 8, the Board has enacted a three-year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------------|--|
| Inflation | 2.50 percent |
| Projected salary increases | 12.50% at age 20 to 2.50% at age 65 |
| Payroll Increases | 3.0% |
| Investment Rate of Return | 7.45 percent, net of investment expenses |
| Discount Rate of Return | 7.45% |
| Cost-of-Living Adjustments (COLA) | 0% |

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP- 2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS Ohio's investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Rate of Return*</u> |
|----------------------|------------------------------|---|
| Domestic Equity | 28.00 % | 7.35 % |
| International Equity | 23.00 | 7.55 % |
| Alternatives | 17.00 | 7.09 % |
| Fixed Income | 21.00 | 3.00 % |
| Real Estate | 10.00 | 6.00 % |
| Liquidity Reserves | <u>1.00</u> | 2.25 % |
| Total | <u>100.00 %</u> | |

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25% and does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – STRS (Continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with the rates described previously. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS Ohio’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

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 7.45 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 (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$18,190,453 | \$12,456,072 | \$7,602,696 |

Assumptions and Benefit Changes Since the Prior Measurement Date - There were no changes in assumptions or benefit terms since the prior measurement date.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2019, none of the members of the Board of Education had elected Social Security. The Board’s liability is 6.2 percent of wages paid.

NOTE 10 – DEFINED BENEFIT OPEB PLANS

See Note 9 for a description of the net OPEB liability (asset).

School Employees 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 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS’ Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS’ health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS’ health care coverage. Most retirees and dependents choosing SERS’ health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

School Employees Retirement System (Continued)

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 change 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 pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. 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 2019, this amount was \$21,600. 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 2019, the School District's surcharge obligation was \$36,696.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$47,462 for fiscal year 2019.

State Teachers Retirement System

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

Net Other Post Employment Benefit (OPEB) Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability

The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

Net Other Post Employment Benefit (OPEB) Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability (Asset) (Continued)

Following is information related to the proportionate share and OPEB expense:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|--------------------|--------------------|---------------|
| Proportion of the Net OPEB Liability (Asset) Prior Measurement Date | 0.06273510% | 0.05459456% | |
| Proportion of the Net OPEB Liability (Asset) Current Measurement Date | <u>0.06864290%</u> | <u>0.05665004%</u> | |
| Change in Proportionate Share | <u>0.00590780%</u> | <u>0.00205548%</u> | |
| Proportionate Share of the Net OPEB Liability | \$1,904,339 | \$0 | \$1,904,339 |
| Proportionate Share of the Net OPEB (Asset) | \$0 | (\$910,308) | (\$910,308) |
| OPEB Expense (Gain) | \$71,295 | (\$1,991,615) | (\$1,920,320) |

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| Deferred Outflows of Resources | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|---|-------------------|---------------------|---------------------|
| Differences between expected and actual economic experience | \$ 31,086 | \$ 106,325 | \$ 137,411 |
| Difference from a change in proportion and differences between School District contributions and proportionate share of contributions | 146,036 | 73,247 | 219,283 |
| School District contributions subsequent to the measurement date | <u>46,477</u> | <u>-</u> | <u>46,477</u> |
| Total | <u>\$ 223,599</u> | <u>\$ 179,572</u> | <u>\$ 403,171</u> |
| Deferred Inflows of Resources | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
| Differences between expected and actual economic experience | \$0 | \$53,037 | \$53,037 |
| Differences between projected and actual investment earnings | 2,858 | 103,995 | 106,853 |
| Changes of assumptions | 171,090 | 1,240,366 | 1,411,456 |
| Difference from a change in proportion and differences between School District contributions and proportionate share of contributions | <u>43,609</u> | <u>146,921</u> | <u>190,530</u> |
| Total | <u>\$ 217,557</u> | <u>\$ 1,544,319</u> | <u>\$ 1,761,876</u> |

\$46,477 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (adjustment to net OPEB asset) in the year ending June 30, 2020.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

Net Other Post Employment Benefit (OPEB) Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Liability (Asset) (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | SERS | STRS | Total |
|-----------------------------|------------|---------------|---------------|
| Fiscal Year Ending June 30: | | | |
| 2020 | (\$67,414) | (\$248,328) | (\$315,742) |
| 2021 | (46,265) | (248,328) | (294,593) |
| 2022 | 20,702 | (248,328) | (227,626) |
| 2023 | 21,918 | (224,711) | (202,793) |
| 2024 | 21,721 | (216,426) | (194,705) |
| Thereafter | 8,903 | (178,626) | (169,723) |
| Total | (\$40,435) | (\$1,364,747) | (\$1,405,182) |

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS’ actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – SERS (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation are presented below:

| | |
|--|---|
| Valuation Date | June 30, 2018 |
| Actuarial Assumptions Experience Study Date | 5 year period ended June 30, 2015 |
| Investment Rate of Return | 7.50 percent, net of investment expenses, including inflation |
| Price Inflation | 3.00% |
| Salary increases, including price inflation | 3.50% - 18.20% |
| Municipal Bond Index Rate | |
| Prior Measurement Date | 3.56% |
| Measurement Date | 3.62% |
| Single Equivalent Interest Rate, net of plan investment expense, including price inflation | |
| Prior Measurement Date | 3.63% |
| Measurement Date | 3.70% |
| Medical Trend Assumption | |
| Pre-Medicare | 7.25% - 4.75% |
| Medicare | 5.375% - 4.75% |

Mortality Assumptions - Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120% of male rates and 110% of female rates. RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – SERS (continued)

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|--------------------------|---|
| Cash | 1.00 % | 0.50 % |
| US Stocks | 22.50 | 4.75 |
| Non-US Stocks | 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 | 10.00 | 3.00 |
| Total | <u>100.00 %</u> | |

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS’ net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%).

| | 1% Decrease (2.70%) | Current Discount Rate (3.70%) | 1% Increase (4.70%) |
|---|------------------------|-------------------------------------|------------------------|
| School District’s proportionate share of the net OPEB liability | \$1,536,453 | \$1,904,339 | \$2,391,488 |

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – SERS (continued)

The following table presents the OPEB liability of SERS, what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

| | 1% Decrease (6.25 % decreasing to 3.75%) | Current Trend Rate (7.25 % decreasing to 4.75 %) | 1% Increase (8.25 % decreasing to 5.75 %) |
|--|--|---|---|
| School District's proportionate share of the net OPEB liability | \$2,310,766 | \$1,904,339 | \$1,582,526 |

Assumptions and Benefit Changes Since the Prior Measurement Date - The following changes in key methods and assumptions as presented below:

- (1) Discount Rate:
 - Prior Measurement Date 3.63%
 - Measurement Date 3.70%
- (2) Municipal Bond Index Rate:
 - Prior Measurement Date 3.56%
 - Measurement Date 3.62%
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:
 - Prior Measurement Date 3.63%
 - Measurement Date 3.70%

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

| | | |
|---------------------------|---|----------|
| Salary increases | 12.50% at age 20 to 2.50% at age 65 | |
| Payroll increases | 3.00% | |
| Investment Rate of Return | 7.45 percent, net of investment expenses, including inflation | |
| Discount Rate of Return | 7.45% | |
| Health Care Cost Trends | Initial | Ultimate |
| Medical | | |
| Pre-Medicare | 6.00% | 4.00% |
| Medicare | 5.00% | 4.00% |
| Prescription Drug | | |
| Pre-Medicare | 8.00% | 4.00% |
| Medicare | -5.23% | 4.00% |

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

Mortality Rates — For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Experience Studies — Actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – STRS (continued)

Investment Return Assumptions —STRS Ohio’s investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Rate of Return *</u> |
|----------------------|--------------------------|--|
| Domestic Equity | 28.00 % | 7.35 % |
| International Equity | 23.00 | 7.55 |
| Alternatives | 17.00 | 7.09 |
| Fixed Income | 21.00 | 3.00 |
| Real Estate | 10.00 | 6.00 |
| Liquidity Reserves | <u>1.00</u> | 2.25 |
| Total | <u>100.00 %</u> | |

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actual rate of return, without net value added by management.

Discount Rate — The discount rate used to measure the total OPEB liability was 7.45% as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was used to measure the total OPEB (asset) liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

Sensitivity of the School District’s Proportionate Share of the Net OPEB (Asset) Liability to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB (asset) liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the net OPEB (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current assumption. Also shown is the net OPEB (asset) liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

| | <u>1% Decrease (6.45%)</u> | <u>Current Discount Rate (7.45%)</u> | <u>1% Increase (8.45%)</u> |
|---|--------------------------------|--|--------------------------------|
| School District’s proportionate share of the net OPEB liability | (\$780,219) | (\$910,308) | (\$1,019,642) |

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 10 – DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – STRS (continued)

| | 1% Decrease (6.45%) | Current Discount Rate (7.45%) | 1% Increase (8.45%) |
|--|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net OPEB liability | (\$1,013,470) | (\$910,308) | (\$805,540) |

Assumption Changes Since the Prior Measurement Date - The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Benefit Term Changes Since the Prior Measurement Date - The subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

NOTE 11 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2019 were as follows:

| | Principal Outstanding 06/30/18 | Additions | Deductions | Principal Outstanding 06/30/19 | Due in One Year |
|--|--------------------------------------|--------------|--------------|--------------------------------------|--------------------|
| 2016 General Obligation Refunding Bonds 1.61% | \$ 2,080,000 | \$ - | \$ 480,000 | \$ 1,600,000 | \$ 505,000 |
| 2014 Energy Conservation General Obligation Bonds 3.31% | 621,000 | - | 48,000 | 573,000 | 49,000 |
| Total Long-Term Bonds | 2,701,000 | - | 528,000 | 2,173,000 | 554,000 |
| Net Pension Liability | | | | | |
| STRS | 12,969,055 | - | 512,983 | 12,456,072 | - |
| SERS | 3,705,468 | 201,807 | - | 3,907,275 | - |
| Total Net Pension Liability | 16,674,523 | 201,807 | 512,983 | 16,363,347 | - |
| Net OPEB Liability | | | | | |
| STRS | 2,130,078 | - | 2,130,078 | - | - |
| SERS | 1,683,645 | 220,694 | - | 1,904,339 | - |
| Total OPEB Pension Liability | 3,813,723 | 220,694 | 2,130,078 | 1,904,339 | - |
| Capital Leases | 615,273 | - | 68,215 | 547,058 | 68,929 |
| Certificate of Participation Payable | 1,803,000 | - | 76,000 | 1,727,000 | 80,000 |
| Compensated Absences | 942,802 | 605,229 | 636,756 | 911,275 | 33,829 |
| Total Long-Term Obligations | \$ 26,550,321 | \$ 1,027,730 | \$ 3,952,032 | \$ 23,626,019 | \$ 736,758 |

(a) OPEB for STRS has a Net OPEB asset in the amount of \$910,308 as of June 30, 2019.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

General Obligation Refunding Bonds – On November 1, 2016, the School District issued \$2,525,000 in Classroom Facilities Unlimited Tax General Obligation Bonds, current refunding \$2,525,000 of the Classroom Facilities General Obligation Bonds issued in 2007. The bonds were issued for a 5 year period with final maturity on December 1, 2021. The bonds are being retired with property taxes from the Debt Service Fund.

The School District defeased \$2,525,000 of the General Obligation Bonds 2007 on November 1, 2016 and these bonds were redeemed on December 1, 2016 at a redemption of 100% of the outstanding principal amount of the General Obligation Bonds 2007. As a result of this transaction, the School District reduced their debt service requirements by \$232,823 from \$2,887,837 to \$2,655,014. This transaction also resulted in an economic gain of \$207,591 for the School District.

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

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2019, are as follows:

| Fiscal Year Ending June 30, | 2016 Refunding Bonds | | |
|-----------------------------------|----------------------|-----------------|--------------------|
| | Principal | Interest | Total |
| 2020 | \$ 505,000 | \$ 21,695 | \$ 526,695 |
| 2021 | 530,000 | 13,363 | 543,363 |
| 2022 | 565,000 | 4,548 | 569,548 |
| Totals | <u>\$1,600,000</u> | <u>\$39,606</u> | <u>\$1,639,606</u> |

Principal and interest requirements to retire the energy conservation general obligation bonds at June 30, 2019 are as follows:

| Fiscal Year Ending June 30, | 2014 Energy Conservation Bonds | | |
|-----------------------------------|--------------------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 2020 | \$ 49,000 | \$ 18,155 | \$ 67,155 |
| 2021 | 51,000 | 16,500 | 67,500 |
| 2022 | 53,000 | 14,779 | 67,779 |
| 2023 | 54,000 | 13,008 | 67,008 |
| 2024 | 56,000 | 11,188 | 67,188 |
| 2025-2029 | 310,000 | 26,315 | 336,315 |
| Totals | <u>\$ 573,000</u> | <u>\$ 99,945</u> | <u>\$ 672,945</u> |

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

Capital Lease Obligation

In fiscal year 2016, the School District entered into capital leases for copier machines. The School District makes monthly lease payments to U.S. Bank. The interest rate is fixed at 2.50 percent. The lease expires in fiscal year 2021. Payments are being made from the General Fund.

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

These leases meet the criteria of a capital lease as defined by the Accounting Principles Generally Accepted in the United States of America, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital lease payments for all these leases will be classified as debt service in the General Fund in the fund financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. The capital assets acquired by the leases have been capitalized in the statement of net position for governmental activities in the amount of \$828,049. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position for governmental activities. Principal payments in fiscal year 2019 totaled \$68,215. For the leased assets related to the Governmental Funds, a portion of the capital assets acquired by the lease have been capitalized in the government wide financial statements. The lease obligations are being repaid from the General Fund.

The School District's future minimum lease payments under capital lease obligations for Governmental Activities as of June 30, 2019 are as follows:

| Fiscal Year Ending June 30, | Payments |
|--|-------------------------|
| 2020 | \$86,774 |
| 2021 | 59,107 |
| 2022 | 54,566 |
| 2023 | 62,987 |
| 2024 | 61,232 |
| 2025-2029 | <u>322,467</u> |
| | 647,133 |
| Less: Interest | <u>(100,075)</u> |
| Present Value of Minimum Lease Payments | <u><u>\$547,058</u></u> |

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 11 - LONG-TERM OBLIGATIONS (Continued)

Certificates of Participation

In previous fiscal years, the School District entered into certificates of participation to finance a variety of projects including a portion of the classroom facilities project, as well as, several other construction projects, the acquisition of new school buses, computers and computer related software, and for the construction of a new transportation facility. During fiscal year 2006 and 2007, the School District entered into certificates of participation to finance the construction of a new Central Office/Transportation Building. The School District is leasing the projects from Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the project during the certificate term. Columbus Regional Airport Authority has assigned US Bank as trustee. US Bank deposited \$511,000 in the School District's name with an escrow agent for the construction of the facility. Amounts were paid to contractors by the School District as the work progressed. The School District is making semi-annual payments to US Bank. Principal payments in fiscal year 2019 totaled \$76,000 in the governmental funds. This debt is being repaid from the General Fund.

The following table represents the payments required on the Certificate of Participation for the amount outstanding at June 30, 2019:

| Fiscal Year Ending June 30, | Principal | Interest | Total |
|-----------------------------------|--------------------|------------------|--------------------|
| 2020 | \$ 80,000 | \$ 89,788 | \$ 169,788 |
| 2021 | 85,000 | 85,456 | 170,456 |
| 2022 | 89,000 | 80,886 | 169,886 |
| 2023 | 94,000 | 76,078 | 170,078 |
| 2024 | 98,000 | 71,030 | 169,030 |
| 2025-2029 | 577,000 | 269,366 | 846,366 |
| 2030-2034 | 529,000 | 102,048 | 631,048 |
| 2035-2037 | 175,000 | 12,094 | 187,094 |
| Totals | <u>\$1,727,000</u> | <u>\$786,746</u> | <u>\$2,513,746</u> |

The School District's voted legal debt margin was \$13,528,907 with an unvoted debt margin of \$187,288 at June 30, 2019.

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

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

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

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Hamilton Clermont Cooperative- The School District is a participant in the Hamilton Clermont Cooperative (HCC) which is a computer consortium. HCC is an association of 34 public school districts, educational service centers, community schools, and higher education institutes within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among members. The governing board of HCC consists of the superintendents and/or treasurers of the participating members. HCC is not accumulating significant financial resources nor is it experiencing fiscal distress that may cause an additional financial burden on members in the future. The School District paid HCC \$117,186 for services provided during the year. Financial information can be obtained from the fiscal agent, Hamilton County Educational Service Center, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

NOTE 13 - PUBLIC ENTITY SHARED RISK POOL

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 132 school districts and educational service centers in 18 counties. The purpose of the council 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. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year's prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. The Board exercises total control over the operations of the council including budgeting, appropriating, contracting and designating management. Each School District's degree of control is limited to its representation on the Board. Payments to the SOEPC are made from the General, Permanent Improvement and Food Service Funds. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 14 – INSURANCE PURCHASING POOLS

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

NOTE 15 - CONTINGENCIES

Litigation

The School District is not party to legal proceedings.

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, 2019, if applicable, cannot be determined at this time.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 15 – CONTINGENCIES (Continued)

Foundation

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2019 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

NOTE 16 -STATUTORY RESERVES

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

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

| | Capital Maintenance Reserve |
|---|-----------------------------------|
| Set Aside Reserve Balance June 30, 2018 | \$0 |
| Required Set-Aside | 295,182 |
| Current Year Offset | (63,377) |
| Current Year Qualifying Expenditures | (231,805) |
| Total | \$0 |
| Balance Carried Forward to Fiscal Year 2019 | \$0 |
| Set Aside Reserve Balance June 30, 2019 | \$0 |

The carryover amount in the Capital Acquisition Reserve is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$220,673 at June 30, 2019.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 17 – INTERFUND ACTIVITY

Interfund Transfers

Transfers made during the year ended June 30, 2019, were as follows:

| Fund | Transfer From | Transfer To |
|-------------------------------------|----------------|----------------|
| <i>Major Fund</i> | | |
| General | \$ 616,000 | \$ - |
| <i>Non-Major Fund</i> | | |
| Permanent Improvement | - | 450,000 |
| District Managed Student Activities | - | 166,000 |
| Total Non-Major Fund | - | 616,000 |
| Total | \$ 616,000 | \$ 616,000 |

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

Interfund Advances

| Funds | Interfund Receivable | Interfund Payable |
|------------------------------|----------------------|-------------------|
| Major Fund: | | |
| General | \$ 149,604 | \$ - |
| Non-major Funds: | | |
| High Schools That Work | - | 2,283 |
| Early Childhood Services | - | 12,552 |
| Miscellaneous Federal Grants | - | 2,850 |
| Title II-A | - | 3,157 |
| Title VI B | - | 80,509 |
| Title I | - | 48,253 |
| Total Non-major Funds | - | 149,604 |
| Total | \$ 149,604 | \$ 149,604 |

The amounts due to the General Fund are the result of the School District moving unrestricted monies to support grant funds and the district managed activities fund. The General Fund will be reimbursed when funds become available in the non-major special revenue funds.

NOTE 18 – ACCOUNTABILITY

At June 30, 2019, the Title VI-B and Title I Funds had fund balance deficits of \$55,406 and \$48,925, respectively which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 19 – FUND BALANCES

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

| Fund Balances | General | Bond Retirement | Nonmajor Governmental Funds | Total Governmental Funds |
|--|--------------|--------------------|-----------------------------------|--------------------------------|
| Nonspendable | | | | |
| Prepaid Items | \$ 12,759 | \$ - | \$ - | \$ 12,759 |
| Restricted for | | | | |
| Food Service Operations | - | - | 111,365 | 111,365 |
| Other Purposes | - | - | 12,730 | 12,730 |
| Athletics | - | - | 37,382 | 37,382 |
| Debt Services Payments | - | 1,631,450 | - | 1,631,450 |
| Classroom Maintenance | - | - | 84,503 | 84,503 |
| Total Restricted | - | 1,631,450 | 245,980 | 1,877,430 |
| Committed to | | | | |
| Capital Improvements | - | - | 413,504 | 413,504 |
| Assigned to | | | | |
| FY20 Appropriations in excess of Estimated Receipts | 591,131 | - | - | 591,131 |
| Other Purposes | 465,875 | - | - | 465,875 |
| Total Assigned | 1,057,006 | - | - | 1,057,006 |
| Unassigned (Deficit) | 1,544,858 | - | (104,331) | 1,440,527 |
| Total Fund Balances | \$ 2,614,623 | \$ 1,631,450 | \$ 555,153 | \$ 4,801,226 |

NOTE 20 – COMMITMENTS

Contractual

As of June 30, 2019, the School District's contractual purchase commitments for the work to be completed at the primary and middle schools:

| Vendor | Contract Amount | Amount Expended | Balance at 06/30/2019 |
|------------------|--------------------|--------------------|--------------------------|
| Garland/DBS Inc. | \$568,927 | \$272,863 | \$296,064 |

Bethel-Tate Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 20 – COMMITMENTS (Continued)

Encumbrances

At June 30, 2019, the School District had significant encumbrance commitments in the following governmental funds:

| <u>Fund</u> | <u>Amount</u> |
|----------------------|-------------------------|
| Major Fund: | |
| General | \$503,989 |
| Non-Major Fund: | |
| Capital Improvements | <u>200,483</u> |
| Total Non-Major Fund | <u>200,483</u> |
| Total Encumbrances | <u><u>\$704,472</u></u> |

NOTE 21 – NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2019, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 83, Certain Asset Retirement Obligations and Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for certain asset retirement obligations (AROs). The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the School District.

GASB Statement No. 88 establishes criteria to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the School District.

Bethel-Tate Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
School Employees Retirement System of Ohio
Last Six Years (1)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total plan pension liability | \$ 19,997,700,966 | \$ 19,588,417,687 | \$ 19,770,708,121 | \$ 18,503,280,961 | \$ 17,881,827,171 | \$ 17,247,161,078 |
| Plan net position | 14,270,515,748 | 13,613,638,590 | 12,451,630,823 | 12,797,184,030 | 12,820,884,107 | 11,300,482,029 |
| Net pension liability | 5,727,185,218 | 5,974,779,097 | 7,319,077,298 | 5,706,096,931 | 5,060,943,064 | 5,946,679,049 |
| School District's proportion of the net pension liability | 0.0682233% | 0.0620185% | 0.0653236% | 0.0636764% | 0.0675530% | 0.0675530% |
| School District's proportionate share of the net pension liability | \$ 3,907,275 | \$ 3,705,468 | \$ 4,781,085 | \$ 3,633,437 | \$ 3,418,819 | \$ 4,017,160 |
| School District's covered payroll | \$ 2,196,326 | \$ 2,078,229 | \$ 2,028,707 | \$ 1,916,935 | \$ 1,962,951 | \$ 2,011,770 |
| School District's proportionate share of the net pension liability as a percentage of its covered payroll | 177.90% | 178.30% | 235.67% | 189.54% | 174.17% | 199.68% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.36% | 69.50% | 62.98% | 69.16% | 71.70% | 65.52% |

(1) Information prior to 2014 is not available.

See notes to accompanying required supplementary information.

Bethel-Tate Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Six Years (1)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|--------------------|-------------------|-------------------|-------------------|
| Total plan pension liability | \$ 96,904,056,552 | \$ 96,126,440,462 | \$ 100,756,422,489 | \$ 99,014,653,744 | \$ 96,167,057,104 | \$ 94,366,693,720 |
| Plan net position | 74,916,301,830 | 72,371,226,119 | 67,283,408,184 | 71,377,578,736 | 71,843,596,331 | 65,392,746,348 |
| Net pension liability | 21,987,754,722 | 23,755,214,343 | 33,473,014,305 | 27,637,075,008 | 24,323,460,773 | 28,973,947,372 |
| School District's proportion of the net pension liability | 0.05665004% | 0.05459456% | 0.05844063% | 0.06237852% | 0.06167997% | 0.06167997% |
| School District's proportionate share of the net pension liability | \$ 12,456,072 | \$ 12,969,055 | \$ 19,561,840 | \$ 17,239,598 | \$ 15,002,703 | \$ 17,871,122 |
| School District's covered payroll | \$ 6,441,493 | \$ 6,002,000 | \$ 6,149,079 | \$ 6,508,157 | \$ 6,302,177 | \$ 7,165,200 |
| School District's proportionate share of the net pension liability as a percentage of its covered payroll | 193.37% | 216.08% | 318.13% | 264.89% | 238.06% | 249.42% |
| Plan fiduciary net position as a percentage of the total pension liability | 77.31% | 75.29% | 66.78% | 72.09% | 74.71% | 69.30% |

(1) Information prior to 2014 is not available.

See notes to accompanying required supplementary information.

Bethel-Tate Local School District
Required Supplementary Information
Schedule of School District Pension Contributions
School Employees Retirement System of Ohio
Last Ten Years

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|
| Contractually required contribution | \$ 290,800 | \$ 296,504 | \$ 290,952 | \$ 284,019 | \$ 252,652 | \$ 272,065 | \$ 278,429 | \$ 244,745 | \$ 293,724 | \$ 247,185 |
| Contributions in relation to the contractually required contribution | <u>(290,800)</u> | <u>(296,504)</u> | <u>(290,952)</u> | <u>(284,019)</u> | <u>(252,652)</u> | <u>(272,065)</u> | <u>(278,429)</u> | <u>(208,547)</u> | <u>(180,515)</u> | <u>(247,185)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ 36,198</u> | <u>\$ 113,209</u> | <u>\$ -</u> |
| School District's covered payroll | \$ 2,154,074 | \$ 2,196,326 | \$ 2,078,229 | \$ 2,028,707 | \$ 1,916,935 | \$ 1,962,951 | \$ 2,011,770 | \$ 1,819,665 | \$ 2,336,706 | \$ 1,825,591 |
| Contributions as a percentage of covered payroll | 13.50% | 13.50% | 14.00% | 14.00% | 13.18% | 13.86% | 13.84% | 11.46% | 7.73% | 13.54% |

See notes to accompanying required supplementary information.

Bethel-Tate Local School District
Required Supplementary Information
Schedule of School District Pension Contributions
State Teachers Retirement System of Ohio
Last Ten Years

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 944,211 | \$ 901,809 | \$ 840,280 | \$ 860,871 | \$ 911,142 | \$ 819,283 | \$ 931,476 | \$ 800,646 | \$ 844,515 | \$ 942,349 |
| Contributions in relation to the contractually required contribution | <u>(944,211)</u> | <u>(901,809)</u> | <u>(840,280)</u> | <u>(860,871)</u> | <u>(911,142)</u> | <u>(819,283)</u> | <u>(931,476)</u> | <u>(800,646)</u> | <u>(844,515)</u> | <u>(942,349)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| School District covered payroll | \$ 6,744,364 | \$ 6,441,493 | \$ 6,002,000 | \$ 6,149,079 | \$ 6,508,157 | \$ 6,302,177 | \$ 7,165,200 | \$ 6,158,815 | \$ 6,496,269 | \$ 7,248,838 |
| Contributions as a percentage of covered payroll | 14.00% | 14.00% | 14.00% | 14.00% | 14.00% | 13.00% | 13.00% | 13.00% | 13.00% | 13.00% |

See notes to accompanying required supplementary information.

Bethel-Tate Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability
School Employees Retirement System of Ohio
Last Three Years (1)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|--------------------|--------------------|--------------------|
| Total plan OPEB liability | \$ 3,209,899,769 | \$ 3,065,846,821 | \$ 3,220,574,434 |
| Plan net position | <u>435,629,637</u> | <u>382,109,560</u> | <u>370,204,515</u> |
| Net OPEB liability | 2,774,270,132 | 2,683,737,261 | 2,850,369,919 |
| School District's proportion of the net OPEB liability | 0.0686429% | 0.0627351% | 0.0660036% |
| School District's proportionate share of the net OPEB liability | \$ 1,904,339 | \$ 1,683,645 | \$ 1,881,347 |
| School District's covered payroll | \$ 2,196,326 | \$ 2,078,229 | \$ 2,028,707 |
| School District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 86.71% | 81.01% | 92.74% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 13.57% | 12.46% | 11.49% |

(1) Information prior to 2017 is not available.

See notes to accompanying required supplementary information.

Bethel-Tate Local School District
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Liability (Asset)
State Teachers Retirement System of Ohio
Last Three Years (1)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|----------------------|----------------------|----------------------|
| Total plan OPEB liability | \$ 2,114,451,000 | \$ 7,377,410,000 | \$ 8,533,654,000 |
| Plan net position | <u>3,721,349,000</u> | <u>3,475,779,000</u> | <u>3,185,628,000</u> |
| Net OPEB liability (asset) | (1,606,898,000) | 3,901,631,000 | 5,348,026,000 |
| School District's proportion of the net OPEB liability (asset) | 0.05665004% | 0.05459456% | 0.05844063% |
| School District's proportionate share of the net OPEB liability (asset) | \$ (910,308) | \$ 2,130,078 | \$ 3,125,420 |
| School District's covered payroll | \$ 6,441,493 | \$ 6,002,000 | \$ 6,149,079 |
| School District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | -14.13% | 35.49% | 50.83% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 176.00% | 47.11% | 37.33% |

(1) Information prior to 2017 is not available.

See notes to accompanying required supplementary information.

Bethel-Tate Local School District
Required Supplementary Information
Schedule of School District OPEB Contributions
School Employees Retirement System of Ohio
Last Four Years (1)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution | \$ 47,462 | \$ 44,247 | \$ 33,270 | \$ 32,563 |
| Contributions in relation to the contractually required contribution | <u>(47,462)</u> | <u>(44,247)</u> | <u>(33,270)</u> | <u>(32,563)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School District's covered payroll | \$ 2,154,074 | \$ 2,196,326 | \$ 2,078,229 | \$ 2,028,707 |
| Contributions as a percentage of covered payroll | 2.20% | 2.01% | 1.60% | 1.61% |

(1) Information prior to 2016 is not available.

See notes to accompanying required supplementary information.

Bethel-Tate Local School District
Required Supplementary Information
Schedule of School District OPEB Contributions
State Teachers Retirement System of Ohio
Last Four Years (1)

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ - | \$ - | \$ - | \$ - |
| Contributions in relation to the contractually required contribution | - | - | - | - |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School District covered-employee payroll | \$ 6,744,364 | \$ 6,441,493 | \$ 6,002,000 | \$ 6,149,079 |
| Contributions as a percentage of covered-employee payroll | 0.00% | 0.00% | 0.00% | 0.00% |

(1) Information prior to 2016 is not available.

See notes to accompanying required supplementary information.

Bethel-Tate Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

Pension

School Employees Retirement System (SERS)

Changes in benefit terms

2019: With the authority granted the Board under Senate Bill 8, the Board has enacted a three year COLA delay for future benefit recipients commencing benefits on or after April 1, 2018.

2018: SERS changed from a fixed 3% annual increase to a Cost of Living Adjustment (COLA) based on the change in the Consumer Price Index (CPI-W), with a cap of 2.5% and a floor of 0%.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in assumptions

2018-2019: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

2017: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates,
- (7) Mortality among disabled members was updated to 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, and
- (8) The discount rate was reduced from 7.75% to 7.50%.

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

State Teachers Retirement System (STRS)

Changes in benefit terms

2019: There were no changes in benefit terms from the amounts reported for this fiscal year.

2018: STRS decreased the Cost of Living Adjustment (COLA) to zero.

2014-2017: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in assumptions

2019: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

Bethel-Tate Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

Pension (Continued)

State Teachers Retirement System (STRS) (Continued)

Changes in assumptions (Continued)

2018: The following changes of assumptions affected the total pension liability since the prior measurement date:

- (1) The long term expected rate of return was reduced from 7.75% to 7.45%,
- (2) The inflation assumption was lowered from 2.75% to 2.50%,
- (3) The payroll growth assumption was lowered to 3.00%,
- (4) Total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25% due to lower inflation,
- (5) The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016, and
- (6) Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for these fiscal years.

OPEB

School Employees Retirement System (SERS)

Changes in benefit terms

2017-2019: There were no changes in benefit terms from the amounts reported for these fiscal years.

Changes in assumptions

2019: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:

| | |
|------------------------|-------|
| Prior Measurement Date | 3.63% |
| Measurement Date | 3.70% |
- (2) Municipal Bond Index Rate:

| | |
|------------------------|-------|
| Prior Measurement Date | 3.56% |
| Measurement Date | 3.62% |
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

| | |
|------------------------|-------|
| Prior Measurement Date | 3.63% |
| Measurement Date | 3.70% |

2018: Amounts reported for the fiscal year incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented below:

- (1) Discount Rate:

| | |
|------------------|-------|
| Fiscal Year 2018 | 3.63% |
| Fiscal Year 2017 | 2.98% |
- (2) Municipal Bond Index Rate:

| | |
|------------------|-------|
| Fiscal Year 2018 | 3.56% |
| Fiscal Year 2017 | 2.92% |
- (3) Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

| | |
|------------------|-------|
| Fiscal Year 2018 | 3.63% |
| Fiscal Year 2017 | 2.98% |

Bethel-Tate Local School District
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2019

OPEB (Continued)

School Employees Retirement System (SERS) (Continued)

Changes in assumptions

2017: The following changes of assumptions affected the total OPEB liability since the prior measurement date:

- (1) The assumed rate of inflation was reduced from 3.25% to 3.00%,
- (2) Payroll growth assumption was reduced from 4.00% to 3.50%,
- (3) Assumed real wage growth was reduced from 0.75% to 0.50%,
- (4) Rates of withdrawal, retirement and disability were updated to reflect recent experience,
- (5) Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females,
- (6) Mortality among service retired members, and beneficiaries was updated to the following RP- 2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates, and
- (7) Mortality among disabled members was updated to 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.

State Teachers Retirement System (STRS)

Changes in benefit terms

2019: The subsidy multiplier for non-Medicare benefit recipients was increased from 1.900% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. The Board is extending the current Medicare Part B partial reimbursement program for one year. Under this program, benefit recipients currently enrolled in the STRS Ohio Health Care Program and Medicare Part B receive \$29.90 per month to reimburse a portion of the Medicare Part B premium. The reimbursement was set to be reduced to \$0 beginning January 1, 2020. This impacts about 85,000 benefit recipients.

2018: The subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2019.

2017: There were no changes in benefit terms from the amounts reported for this fiscal year.

Changes in assumptions

2019: The discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

2018: The discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB) and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for this fiscal year.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

| FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title | Federal CFDA Number | Pass Through Entity Identifying Number | Total Federal Expenditures |
|---|------------------------------------|---|---------------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | |
| Child Nutrition Cluster | | | |
| National School Breakfast Program | 10.553 | 3L70 | 103,658 |
| National School Lunch Program | 10.555 | 3L60 | 269,931 |
| Non-Cash Assistance (Food Donation) | | | |
| National School Lunch Program | 10.555 | 3L60 | 39,840 |
| Total Child Nutrition Cluster | | | <u>413,429</u> |
| Total U.S. Department of Agriculture | | | <u>413,429</u> |
| | | | |
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Passed Through Ohio Department of Education</i> | | | |
| Special Education Cluster: | | | |
| Special Education Grants to States | 84.027 | 3M20 | 373,654 |
| Special Education Preschool Grants | 84.173 | 3C50 | 12,552 |
| Total Special Education Grants Cluster | | | <u>386,206</u> |
| Title I Grants to Local Education Agencies | 84.010 | 3M00 | 312,806 |
| Title II-A Improving Teacher Quality State Grants | 84.367 | 3Y60 | 49,780 |
| Title IV-A Student Support and Academic Enrichment | 84.424A | 3H10 | 23,278 |
| Vocational Education - Carl D Perkins | 84.048 | 3L90 | 10,000 |
| Total U.S. Department of Education | | | <u>782,070</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$1,195,499</u></u> |

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Bethel-Tate Local School District (the District's) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Government, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE E – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash
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Blue Ash, Ohio 45242-1817
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Bethel-Tate Local School District
Clermont County
675 West Plane Street
Cincinnati, Ohio 45255

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 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bethel-Tate Local School District, Clermont County, (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 3, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

February 3, 2020

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Bethel-Tate Local School District
Clermont County
675 West Plane Street
Bethel, Ohio 45106

To the Board of Education:

Report on Compliance for the Major Federal Program

We have audited Bethel-Tate Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Bethel-Tate Local School District's major federal program for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, Bethel-Tate Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

February 3, 2020

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2019**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| (d)(1)(iv) | Were there any material weaknesses in internal control reported for major federal programs? | No |
| (d)(1)(iv) | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under 2 CFR § 200.516(a)? | No |
| (d)(1)(vii) | Major Programs (list): | Special Education Cluster 84.027 & 84.173 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$ 750,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee under 2 CFR § 200.520? | Yes |

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE KEITH FABER



BETHEL – TATE LOCAL SCHOOL DISTRICT

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 18, 2020**