

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2014*

KAREN NEWMAN, TREASURER



Dave Yost • Auditor of State

Board of Education
Bethel Local School District
7490 South State Route 201
Tipp City, Ohio 45371

We have reviewed the *Independent Auditor's Report* of the Bethel Local School District, Miami County, prepared by Julian & Grube, Inc., for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 8, 2016

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**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bethel Local School District, Miami County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Bethel Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with 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 Bethel Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Bethel Local School District's internal control. Accordingly, we express no 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 Local School District, Miami County, Ohio, as of June 30, 2014, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal 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* 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 25, 2015, on our consideration of the Bethel Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bethel Local School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.
December 25, 2015

BETHEL LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

The discussion and analysis of the Bethel Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. 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

Key financial highlights for fiscal year 2014 are as follows:

Overall:

- Total net position increased \$1.5 million which represents a 24.1% percent increase from fiscal year 2013. The change in net position is primarily due to the additional cash on hand at year-end (approximately \$1.0 million), increase in net capital assets (approximately \$280,000) and a decrease in long-term liabilities (approximately \$190,000) due to scheduled debt service payments.
- General revenues accounted for \$9.1 million or 85.9 percent of total revenue. Program specific revenues in the form of charges for services and operating grants and contributions account for \$1.5 million or 14.1 percent of total revenues of \$10.6 million.
- Of the School District's \$9.1 million in expenses, only \$1.5 million were offset by program specific charges for services, grants or contributions. General revenues of \$9.1 million (primarily unrestricted grants and entitlements, as well as local taxes) were used to cover the net expense.
- The General Fund and Permanent Improvement Fund, the only major funds, had \$9.3 million and \$0.6 million in revenues, respectively, and \$7.9 million and \$1.0 million in expenditures, respectively, representing 92.9 and 92.2 percent of the total governmental funds revenues and expenditures, respectively. The General Fund's balance increased \$1.4 million and the Permanent Improvement Fund's balance decreased \$357,568 from fiscal year 2013. The increase in the General Fund is associated with nearly \$650,000 in additional tax revenue (property and income) reported for the year, as well as nearly \$281,000 of additional state funding provided through the new State funding program for fiscal year 2014.

Using this Annual Financial Report

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

BETHEL LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

The Statement of Net Position and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregated view of the School District's finances and a longer-term view of those statements. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Bethel Local School District, the General Fund and the Permanent Improvement Fund are by far the most significant funds.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets and liabilities and deferred inflows using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The School District uses many funds to account for a multitude of financial transactions. The fund financial statements provide more detailed information about the School District's most significant funds. Therefore, only the General Fund and Permanent Improvement Fund are presented separate from the other governmental funds.

BETHEL LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2014

Governmental Funds

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

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole.

Net Position at June 30, 2013 has been restated as described in Note 3. Table 1 provides a summary of the School District's net position for 2014 compared to 2013:

**TABLE 1
NET POSITION**

	<u>2014</u>	<u>Restated 2013</u>
ASSETS:		
Current and Other Assets	\$ 7,524,811	6,525,452
Capital Assets	<u>5,617,659</u>	<u>5,337,541</u>
Total Assets	<u>13,142,470</u>	<u>11,862,993</u>
LIABILITIES		
Current Liabilities	835,576	829,732
Noncurrent Liabilities	<u>1,457,625</u>	<u>1,646,833</u>
Total Liabilities	<u>2,293,201</u>	<u>2,476,565</u>
DEFERRED INFLOWS OF RESOURCES	<u>3,086,703</u>	<u>3,133,272</u>
NET POSITION:		
Net Investment in Capital Assets	4,513,241	4,084,716
Restricted	472,848	840,686
Unrestricted	<u>2,776,477</u>	<u>1,327,754</u>
Total Net Position	<u>\$ 7,762,566</u>	<u>6,253,156</u>

The amount by which the School District's assets exceeded its liabilities and deferred inflows of resources is called net position. As of June 30, 2014, the School District's net position was \$7.8 million. Of that amount, approximately \$4.5 million was invested in capital assets, net of debt related to those assets. Another \$0.5 million was subject to external restrictions upon its use. The remaining \$2.8 million was unrestricted and available for future use as directed by the Board of Education and the School District's administration.

BETHEL LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Table 2 shows the changes in net position for fiscal year 2014 compared to 2013.

**TABLE 2
CHANGE IN NET POSITION**

	<u>2014</u>	<u>2013</u>
REVENUES:		
Program Revenues:		
Charges for Services	\$ 1,043,953	1,195,044
Operating Grants and Contributions	431,356	383,639
Capital Grants and Contributions	22,067	-
General Revenues:		
Property and Income Taxes	5,420,186	4,825,871
Grants and Entitlements	3,517,006	3,232,163
Other	<u>207,171</u>	<u>241,805</u>
Total Revenues	<u>10,641,739</u>	<u>9,878,522</u>
PROGRAM EXPENSES:		
Instruction	5,447,612	5,289,894
Support Services:		
Pupils and Instructional Staff	412,090	380,842
Board of Education, Administration		
Fiscal and Business	973,896	941,910
Operation and Maintenance of Plant	670,080	574,597
Pupil Transportation	734,668	856,363
Central	110,732	111,113
Operation of Non-Instructional Services	293,198	286,857
Extracurricular Activities	310,951	314,289
Interest and Fiscal Charges	59,318	24,188
Depreciation Expense	<u>119,784</u>	<u>160,790</u>
Total Expenses	<u>9,132,329</u>	<u>8,940,843</u>
Change in Net Position	\$ <u>1,509,410</u>	<u>937,679</u>

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a voted levy does not increase solely as a result of inflation. Property and income taxes made up 50.9 percent of revenues for governmental activities for the Bethel Local School District for fiscal year 2014. The School District is extremely dependent upon intergovernmental revenues provided by the State of Ohio and the federal government; approximately 37.3 percent of the School District's total revenue was received from intergovernmental sources during fiscal year 2014.

BETHEL LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

For fiscal year 2014, total revenue reported by District increased 7.7 percent or \$763,217. The increase is primarily a result of additional property and income tax revenue received during the year due to the improving economic conditions, as well as additional state funding provided by the new funding formula for fiscal year 2014.

The increase in net position for the year was \$1.5 million from \$6.2 million to \$7.8 million. The current year increase in net position was 61.0 percent more than the prior year due to revenues increasing by 7.7 percent while expenses increased by only 2.1 percent for the period. Increases in personnel costs (wages and benefits) accounted for the majority of the increased expenses for the year.

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

**TABLE 3
TOTAL COST OF PROGRAM SERVICES**

	2014		2013	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 5,447,612	4,529,920	5,289,894	4,258,943
Support Services:				
Pupils and Instructional Staff	412,090	286,770	380,842	290,863
Board of Education, Administration, Fiscal and Business	973,896	973,896	941,910	941,910
Operation and Maintenance of Plant	670,080	670,080	574,597	571,597
Pupil Transportation	734,668	734,668	856,363	856,363
Central	110,732	80,395	111,113	81,488
Operation of Non-Instructional Services	293,198	22,330	286,857	19,746
Extracurricular Activities	310,951	157,792	314,289	156,272
Interest and Fiscal Charges	59,318	59,318	24,188	24,188
Depreciation Expense	119,784	119,784	160,790	160,790
Total Expenses	\$ <u>9,132,329</u>	<u>7,634,953</u>	<u>8,940,843</u>	<u>7,362,160</u>

In fiscal year 2014, the District reported a decrease in program revenue of approximately \$80,000 from the prior year, as net funding for open enrollment tuition for the District decreased by approximately \$100,000 in fiscal year 2014 compared to revenues received in fiscal year 2013. For fiscal year 2014 and 2013, general revenues of the District were used to pay 83.6 and 82.3 percent of total expenses incurred, respectively.

BETHEL LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

The School District's Funds

On the modified accrual basis of accounting, the District's major governmental funds had ending fund balances totaling \$2.3 million.

The District's primary operating fund, the General Fund, ended the year with revenues exceeding expenditures by \$1.4 million. The unassigned ending fund balance of the General Fund, \$2.8 million, represents approximately 36.0 percent of the total expenditures reported in the General Fund compared with the 18.6 percent reported for the prior year. The District's other major fund, the Permanent Improvement Fund, reported a decrease in fund balance of \$357,568. The expenditures of the Permanent Improvement Fund increased by nearly \$300,000 over those reported in the prior year. The increase in capital expenditures related to the preparation (architectural drawings and studies) for the new school building and renovation project which will commence in fiscal year 2015. While there were expenditures associated with the project incurred during fiscal year 2014, the funding for the project (bond issue) was not received until the subsequent fiscal year.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the District increased its anticipated expenditures from \$7.4 million to \$7.5 million to account for the increase in personnel costs during the fiscal year. Budget basis revenue and other financing sources were \$8.5 million as compared to the original budget estimates of \$7.9 million and final budget estimates of \$7.7 million, respectively as the District realized higher than anticipated receipts from local taxes and intergovernmental funding program. Overall ending budgetary fund balance for the general fund ended the fiscal year with a \$2.4 million balance compared to \$1.7 million originally anticipated at the beginning of the fiscal year.

Capital Assets

At the end of fiscal year 2014, the School District had \$5.6 million invested in land, construction in progress, buildings, furniture and equipment, and vehicles in governmental activities. Table 4 shows fiscal year 2014 balances compared to 2013:

**TABLE 4
CAPITAL ASSETS**

	2014	Restated 2013
Land	\$ 1,138,500	1,138,500
Construction in Progress	135,155	-
Land Improvements	90,225	105,635
Building and Improvements	3,402,223	3,170,014
Equipment	598,160	614,229
Vehicles	253,396	309,163
	<u>\$ 5,617,659</u>	<u>5,337,541</u>

BETHEL LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Overall capital assets increased approximately \$280,000 from fiscal year 2013 as the current year additions to capital assets were more than current year depreciation expense. Construction in progress and improvements to athletic buildings accounted for the majority of the current year capital asset additions for the year. See Note 8 to the financial statements for additional information.

Debt Administration

At June 30, 2014, the District had a 30 year capital lease with a balance outstanding of \$773,000. The capital lease was used in fiscal year 2004 to purchase 132 acres of land adjacent to the school district's property. In addition, the District had an outstanding note totaling \$331,418 which was used in previous years to finance various energy improvements throughout District facilities. Principal payments on these two debt obligations during year totaled \$148,407 and another \$156,081 of principal payments is due with one year.

At June 30, 2014 the School District's overall legal debt margin was \$13.0 million with an unvoted debt margin of \$144,259. See Note 13 to the basic financial statements for additional information.

Contacting the School District's Financial Management

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

BETHEL LOCAL SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ 3,160,386
Receivables:	
Property and Other Local Taxes	3,879,761
Income Taxes	461,938
Accounts	4,798
Intergovernmental	13,827
Inventory Held for Resale	4,101
Non-Depreciable Capital Assets	1,273,655
Depreciable Capital Assets, Net	4,344,004
 Total Assets	 13,142,470
Liabilities:	
Accounts Payable	123,439
Accrued Wages and Benefits Payable	521,963
Matured Compensated Absences	23,769
Intergovernmental Payable	156,863
Accrued Interest Payable	9,542
Long Term Liabilities:	
Due Within One Year	208,383
Due in More Than One Year	1,249,242
 Total Liabilities	 2,293,201
Deferred Inflows of Resources:	
Property Taxes not Levied to Finance Current Year	3,086,703
Net Position:	
Net Investment in Capital Assets	4,513,241
Restricted for:	
Debt Service	616
Capital Projects	374,100
Student Activities	80,297
Other Purpose	17,835
Unrestricted	2,776,477
 Total Net Position	 \$ 7,762,566

See accompanying notes to the financial statements

BETHEL LOCAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for services & sales	Operating grants and contributions	Capital grants and contributions	Total Governmental Activities
Governmental Activities:					
Instruction:					
Regular	\$ 3,682,575	\$ 502,768	\$ 20,377	\$ -	\$ (3,159,430)
Special	1,206,408	143,821	172,452	-	(890,135)
Other	558,629	78,274	-	-	(480,355)
Support Services:					
Pupils	245,340	21,857	52,665	-	(170,818)
Instructional Staff	166,750	3,502	47,296	-	(115,952)
Board of Education	42,147	-	-	-	(42,147)
Administration	557,254	-	-	-	(557,254)
Fiscal	366,213	-	-	-	(366,213)
Business	8,282	-	-	-	(8,282)
Operation and Maintenance of Plant	670,080	-	-	-	(670,080)
Pupil Transportation	734,668	-	-	-	(734,668)
Central	110,732	-	30,337	-	(80,395)
Operation of Non-Instructional Services	293,198	184,630	86,238	-	(22,330)
Extracurricular Activities	310,951	109,101	21,991	22,067	(157,792)
Interest and Fiscal Charges	59,318	-	-	-	(59,318)
Unallocated Depreciation *	119,784	-	-	-	(119,784)
Total Governmental Activities	<u>\$ 9,132,329</u>	<u>\$ 1,043,953</u>	<u>\$ 431,356</u>	<u>\$ 22,067</u>	<u>(7,634,953)</u>
		General Revenues:			
					3,715,905
					495,892
					1,208,389
					3,517,006
					20,361
					186,810
					9,144,363
					1,509,410
					6,253,156
					<u>\$ 7,762,566</u>

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

See accompanying notes to the financial statements

BETHEL LOCAL SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 2,677,581	\$ 384,359	\$ 98,446	\$ 3,160,386
Receivables:				
Property and Other Local Taxes	3,442,263	437,498	-	3,879,761
Income Taxes	461,938	-	-	461,938
Accounts	4,798	-	-	4,798
Intergovernmental	-	-	13,827	13,827
Interfund	9,829	-	-	9,829
Due from Other Funds	20,000	-	-	20,000
Inventory Held for Resale	-	-	4,101	4,101
Total Assets	<u>\$ 6,616,409</u>	<u>\$ 821,857</u>	<u>\$ 116,374</u>	<u>\$ 7,554,640</u>
<u>Liabilities:</u>				
Accounts Payable	\$ 24,718	\$ 98,489	\$ 232	\$ 123,439
Accrued Wages and Benefits	505,823	-	16,140	521,963
Matured Compensated Absences Payable	23,769	-	-	23,769
Intergovernmental Payable	150,317	-	6,546	156,863
Interfund Payable	-	-	9,829	9,829
Due to Other Funds	-	-	20,000	20,000
Total Liabilities	<u>704,627</u>	<u>98,489</u>	<u>52,747</u>	<u>855,863</u>
<u>Deferred Inflows of Resources:</u>				
Unavailable Revenue	166,224	14,265	13,827	194,316
Property Taxes not Levied to Finance Current Year	2,740,701	346,002	-	3,086,703
Total Deferred Inflows of Resources	<u>2,906,925</u>	<u>360,267</u>	<u>13,827</u>	<u>3,281,019</u>
<u>Fund Balances:</u>				
Nonspendable				
Inventory	-	-	4,101	4,101
Restricted for:				
Debt Service	-	-	616	616
Facilities Construction and Maintenance	-	363,101	-	363,101
Extracurricular Activities	-	-	80,297	80,297
Education Grants	-	-	2,818	2,818
Other Purposes	-	-	12,506	12,506
Assigned to:				
Unpaid Obligations	115,456	-	-	115,456
Student Activities	48,378	-	-	48,378
Unassigned	2,841,023	-	(50,538)	2,790,485
Total Fund Balances	<u>3,004,857</u>	<u>363,101</u>	<u>49,800</u>	<u>3,417,758</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,616,409</u>	<u>\$ 821,857</u>	<u>\$ 116,374</u>	<u>\$ 7,554,640</u>

See accompanying notes to the financial statements

BETHEL LOCAL SCHOOL DISTRICT

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2014**

Total Governmental Fund Balances:		\$	3,417,758
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.			
			5,617,659
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows within the fund financial statements.			
Property Taxes	120,236		
Income Taxes	60,253		
Intergovernmental Grants	13,827		
	<u>194,316</u>		194,316
Long-term liabilities which are not due and payable in the current period and therefore are not reported in the funds.			
Accrued Interest	(9,542)		
Compensated absences	(353,207)		
Energy Conservation notes payable	(331,418)		
Capital leases payable	(773,000)		
	<u>(1,467,167)</u>		(1,467,167)
Net Position of Governmental Activities		\$	<u><u>7,762,566</u></u>

See accompanying notes to the financial statements

BETHEL LOCAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Local Taxes	\$ 3,761,613	\$ 502,360	\$ -	\$ 4,263,973
Income Taxes	1,197,522	-	-	1,197,522
Intergovernmental	3,430,050	86,956	425,951	3,942,957
Interest	20,357	-	4	20,361
Tuition and Fees	724,863	-	-	724,863
Charges for Services	-	-	184,630	184,630
Extracurricular Activities	25,359	-	109,101	134,460
Miscellaneous	170,139	22,142	41,925	234,206
Total Revenues	9,329,903	611,458	761,611	10,702,972
Expenditures:				
Current:				
Instruction:				
Regular	3,434,339	123,035	23,156	3,580,530
Special	1,025,407	-	178,945	1,204,352
Other Instruction	558,629	-	-	558,629
Support Services:				
Pupils	193,521	-	50,000	243,521
Instructional Staff	132,138	-	36,796	168,934
Board of Education	42,147	-	-	42,147
Administration	553,593	-	-	553,593
Fiscal	376,795	8,898	-	385,693
Business	18,800	-	-	18,800
Plant Operation and Maintenance	544,413	64,965	-	609,378
Pupil Transportation	680,029	8,204	-	688,233
Central	27,423	64,700	7,794	99,917
Non-Instructional Services	-	10,528	275,956	286,484
Extracurricular Activities	148,442	-	152,345	300,787
Capital Outlay	3,904	622,044	26,984	652,932
Debt Service:				
Principal Retirement	122,407	26,000	-	148,407
Interest and Fiscal Charges	19,399	40,652	-	60,051
Total Expenditures	7,881,386	969,026	751,976	9,602,388
Excess of Revenues Over(Under) Expenditures	1,448,517	(357,568)	9,635	1,100,584
Other Financing Sources (Uses):				
Transfers-In	-	-	10,000	10,000
Transfers-Out	(10,000)	-	-	(10,000)
Total Other Financing Sources (Uses)	(10,000)	-	10,000	-
Change in Fund Balance	1,438,517	(357,568)	19,635	1,100,584
Fund Balance at Beginning of Year	1,566,340	720,669	30,165	2,317,174
Fund Balance at End of Year	\$ 3,004,857	\$ 363,101	\$ 49,800	\$ 3,417,758

See accompanying notes to the financial statements

BETHEL LOCAL SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Net Change in Fund Balances - Total Governmental Funds		\$	1,100,584
<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 capital outlay exceeded depreciation in the current period.</p>			
Capital asset additions			537,391
Current year depreciation			(245,873)
Total			291,518
<p>Governmental funds report only the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each sale:</p>			
Loss on Disposal of Assets			(11,400)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds</p>			
Property Taxes			(52,176)
Income Taxes			10,867
Intergovernmental			(19,924)
			(61,233)
<p>Repayment of long-term obligations is reported as an expenditure in the governmental funds but the repayment reduces long term liabilities in the statement of net position.</p>			
Capital Lease			26,000
HB 264 Note			122,407
			148,407
<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>			
Accrued Interest			733
Compensated absences payable			40,801
			41,534
Change in Net Position of Governmental Activities		\$	1,509,410

See accompanying notes to the financial statements

BETHEL LOCAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property and Other Local Taxes	\$ 2,857,219	\$ 2,857,219	\$ 3,168,641	\$ 311,422
Income Tax	850,000	850,000	1,125,073	275,073
Intergovernmental	3,017,024	3,017,024	3,335,584	318,560
Interest	20,000	20,000	20,357	357
Tuition and Fees	870,965	773,479	693,506	(79,973)
Miscellaneous	65,081	65,081	73,812	8,731
Total Revenues	<u>7,680,289</u>	<u>7,582,803</u>	<u>8,416,973</u>	<u>834,170</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,454,052	3,454,052	3,414,924	39,128
Special	1,169,769	1,319,770	1,027,884	291,886
Student Intervention Services	786	786	-	786
Other Instruction	523,922	523,922	559,632	(35,710)
Support Services:				
Pupils	124,798	124,798	156,411	(31,613)
Instructional Staff	116,777	116,777	124,591	(7,814)
Board of Education	34,937	34,937	47,823	(12,886)
Administration	566,980	566,980	537,169	29,811
Fiscal	311,727	311,727	341,523	(29,796)
Business	21,951	21,951	19,104	2,847
Plant Operation and Maintenance	145,360	145,360	146,775	(1,415)
Pupil Transportation	559,698	559,698	559,719	(21)
Central	43,021	43,021	29,395	13,626
Extracurricular Activities	134,913	134,913	148,060	(13,147)
Capital Outlay	-	-	802	(802)
Debt Service:				
Principal Retirement	116,959	116,959	122,457	(5,498)
Interest and Fiscal Charges	24,846	24,846	19,349	5,497
Total Expenditures	<u>7,350,496</u>	<u>7,500,497</u>	<u>7,255,618</u>	<u>244,879</u>
Excess of Revenues Over(Under) Expenditures	<u>329,793</u>	<u>82,306</u>	<u>1,161,355</u>	<u>1,079,049</u>
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures	175,391	77,906	77,907	1
Transfers-In	-	-	15,000	15,000
Transfers-Out	-	-	(25,000)	(25,000)
Total Other Financing Sources (Uses)	<u>175,391</u>	<u>77,906</u>	<u>67,907</u>	<u>(9,999)</u>
Net Change in Fund Balance	505,184	160,212	1,229,262	1,069,050
Fund Balance at Beginning of Year	1,060,521	1,060,521	1,060,521	-
Prior Year Encumbrances Appropriated	94,186	94,186	94,186	-
Fund Balance at End of Year	<u>\$ 1,659,891</u>	<u>\$ 1,314,919</u>	<u>\$ 2,383,969</u>	<u>\$ 1,069,050</u>

See accompanying notes to the financial statements

BETHEL LOCAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 JUNE 30, 2014

	PRIVATE PURPOSE TRUST	AGENCY FUND
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 2,222	\$ 16,901
Investments	73,197	-
Total Assets	\$ 75,419	\$ 16,901
Liabilities:		
Due to Students	\$ -	\$ 16,901
Total Liabilities	-	\$ 16,901
Net Position:		
Held in Trust for Scholarships	75,419	
Total Net Position	\$ 75,419	

See accompanying notes to the financial statements

BETHEL LOCAL SCHOOL DISTRICT

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2014**

Additions:	
Gifts and Contributions	\$ 599
Interest	189
Other	<u>87</u>
Total Additions	<u>875</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>482</u>
Change in Net Position	393
Net Position - Beginning of Year	<u>75,026</u>
Net Position - End of Year	<u>\$ 75,419</u>

See accompanying notes to the financial statements

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District was established in 1894 through the consolidation of existing land areas and school districts. The District serves an area of approximately 25 square miles. It is located in Miami County, and includes all of the Village of Brandt and portions of Bethel Township. It is staffed by 38 non-certified employees, 51 certificated full-time teaching personnel and 5 administrative employees who provide services to 1,022 students and other community members. The District currently operates two instructional buildings and one administrative building.

Reporting Entity

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

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

The District is associated with three organizations, which are defined as jointly governed and three insurance purchasing pool. These organizations are discussed in Note 14 and 15 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

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

Insurance Purchasing Pool:

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

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Fund Financial Statements

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

B. Fund Accounting

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

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets compared with liabilities and deferred inflows of resources is reported as fund balance. The General and Permanent Improvement funds are the District's major governmental funds:

General Fund

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

Permanent Improvement Fund

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

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

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

C. Measurement Focus

Government-Wide Financial Statements

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

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities and deferred inflows of resources are generally 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflow of resources and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from income taxes is recognized in the fiscal year in which the underlying exchange transaction occurred (see Note 19). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate category for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The School District does not report any deferred outflows of resources.

In addition to liabilities, the statement of net position may report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. For the School District, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is a legally enforceable claim as of June 30, 2014, but which were levied to finance subsequent year operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund balance sheet. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, income taxes, and intergovernmental grants. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

Expenditures/Expenses

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related liability is incurred, if measurable. Principal on general long-term debt is recorded as fund liabilities when due. The costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by the employee. Allocation of costs, such as depreciation, is not recognized in governmental funds.

E. Budget Data

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue, are identified by the District. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2014.

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

F. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. Individual fund integrity is maintained through the District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. Investments in the Private-Purpose Trust Fund consists of non-negotiable certificates of deposit.

Cash and cash equivalents are defined as deposits with a maturity of three months or less, money market investments and holdings in the State Treasury Asset Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940, which requires investments in the 2a-7 like pool to be reported at amortized cost (which approximates fair value).

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$20,357 which includes the general funds allocation as well as the allocations of all funds not specified in the Board's resolution.

G. Inventory

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

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

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

I. Capital Assets and Depreciation

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

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements throughout the year. Donated capital assets are recorded at their fair market values as of the date received.

The District maintains a capitalization threshold of five hundred dollars. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also not capitalized.

All reported capital assets except for land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives.

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	8 – 20 years
Vehicles	10 years

J. Interfund Activity

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

K. Compensated Absences

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

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

The entire compensated absence liability is reported on the government-wide financial statements. The governmental fund financial statements report only the current portion of unpaid compensated absences (matured compensated absences payable) due to employees who were retired at June 30, 2014, but were not paid as of that date.

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Position

Net position represents the difference between assets and liabilities and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The District did not have any net position restricted by enabling legislation. Net position restricted for other purposes is made up primarily of state and federal grant funds.

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

N. Fund Balance Reserves

The District reports classifications of fund equity based on the purpose for which resources were received and the level of constraint placed on the resources. Nonspendable fund balance indicates resources that are not expected to be converted to cash because they are not in a spendable form. Resources that have purpose constraints placed upon them by laws, regulations, creditors, grantors, or other external parties are considered available only for the purpose for which they were received and are reported as a restricted fund balance. The District may limit the use of unreserved resources and they may be reported as committed or assigned fund balance depending on at what level of governance the constraints were placed. With an affirmative vote of its members, the Board of Education may create funds for which resources are committed to the established purpose of that fund. Through the District's purchasing policy the Board has given the Treasurer the authority to constrain monies for intended purposes, which are reported as assigned fund balances. All other funds in spendable form not restricted, committed or assigned are reported as an unassigned fund balance.

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted fund balances is available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Prior Period Adjustment:

During fiscal year 2014, the School District made several adjustments to correct the carrying value of its capital assets. A summary of those changes are presented below:

Summary of Prior Period Adjustment:

Non-Depreciable Capital Assets	\$	(27,100)
Depreciable Capital Assets		125,830
Accumulated Depreciation		<u>(45,005)</u>
Required Adjustment	\$	<u>53,725</u>

As a result of these corrections, the School District restated its beginning governmental activities net position from the \$6,199,431 reported at the end of the prior fiscal year to \$6,253,156 at July 1, 2013.

Deficit Fund Balances:

The following funds have fund equity deficits as of June 30, 2014:

		Deficit <u>Fund Equity</u>
<u>Non-Major Special Revenue Funds:</u>		
Food Service Fund	\$	34,379
Title VI-B		648
Title I		11,316
Improving Teacher Quality		94

The deficit fund balances resulted from adjustments for accrued liabilities. Management expects the deficits in these funds to be corrected in early fiscal year 2014. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the fund liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).
4. Fund legally budgeted separately, but combined with General Fund for reporting purposes.

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

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

<u>Net Change in Fund Balances - General Fund</u>	
GAAP Basis	\$ 1,438,517
Revenue and Other Financing Sources Accruals	(19,310)
Expenditure and Other Financing Uses Accruals	12,996
Encumbrances	(78,670)
Change in Fund Balance of Funds Combined with General Fund for Reporting Purposes	<u>(124,271)</u>
Budget (Non-GAAP) Basis	<u>\$ 1,229,262</u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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 2 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 or Ohio local governments;
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).

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

Deposits

The District has no deposit policy for custodial risk beyond the requirements of State statute. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific institution. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions. At year-end, the carrying amount of the District's deposits was \$3,250,075 and the bank balance was \$3,468,942. \$503,197 of the bank balance was covered by federal depository insurance and \$2,965,745 was collateralized with securities held by the pledging financial institution's agent in the District's name.

Investments

As of June 30, 2014, the District had an investment in STAR Ohio at a fair value of \$2,631. STAR Ohio was rated AAAM by Standard & Poor's. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. Management of STAR Ohio states that its policy also prohibits investing in derivatives and/or engaging in the use of reverse repurchase agreements. Average days to maturity of the STAR Ohio portfolio at June 30, 2014 were less than 60 days.

For an investment, custodial credit risk is the risk that, in the event of the failure of counterparty, the 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 District's investments are held by the counterparty's trust department in the District's name, therefore, are not exposed to custodial credit risk.

The District does not have an investment policy beyond the requirements of State statute.

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the District. Real Property tax revenue received in calendar year 2014 represents collection of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at 35 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 alternative payment dates to be established.

Public Utility property tax revenue received in calendar year 2014 represents collection of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal currently is assessed at varying percentages of true value.

The assessed values upon which the fiscal year 2014 taxes were collected are:

	<u>2014 First Half Collections</u>		<u>2013 Second Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 140,669,300	97.51%	144,341,890	97.43%
Public Utility	<u>3,589,200</u>	<u>2.49%</u>	<u>3,811,370</u>	<u>2.57%</u>
Total Assessed Value	\$ <u>144,258,500</u>	<u>100.00%</u>	<u>148,153,260</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$54.15</u>		<u>\$54.12</u>	

Accrued property taxes receivable represents delinquent taxes outstanding and real and public utility property taxes which became measurable as of June 30, 2014, and for which there is an enforceable legal claim. 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 the portion not intended to finance current fiscal year operations. On the accrual basis, total delinquent property tax amounts existing at June 30 have been recorded as revenue.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2014, consisted of current and delinquent property and income taxes, accounts (student fees), intergovernmental grants and interfund transactions. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 8 - CAPITAL ASSETS

A summary of capital asset activity during the fiscal year follows:

	(Restated) Balance 6/30/2013	Additions	Deductions	Balance 6/30/2014
<u>Capital Assets, not being depreciated:</u>				
Land	\$ 1,138,500	\$ -	\$ -	\$ 1,138,500
Construction in Progress	-	135,155	-	135,155
	<u>1,138,500</u>	<u>135,155</u>	<u>-</u>	<u>1,273,655</u>
<u>Capital Assets, being depreciated:</u>				
Land Improvements	545,327	2,850	-	548,177
Buildings and Improvements	4,987,712	327,285	-	5,314,997
Furniture and Equipment	2,581,077	72,101	(53,599)	2,599,579
Vehicles	1,222,475	-	-	1,222,475
	<u>9,336,591</u>	<u>402,236</u>	<u>(53,599)</u>	<u>9,685,228</u>
<u>Less: Accumulated Depreciation:</u>				
Land Improvements	(439,692)	(18,260)	-	(457,952)
Buildings and Improvements	(1,817,698)	(95,076)	-	(1,912,774)
Furniture and Equipment	(1,966,848)	(76,770)	42,199	(2,001,419)
Vehicles	(913,312)	(55,767)	-	(969,079)
	<u>(5,137,550)</u>	<u>(245,873) *</u>	<u>42,199</u>	<u>(5,341,224)</u>
Capital Assets, being depreciated, net	<u>4,199,041</u>	<u>156,363</u>	<u>(11,400)</u>	<u>4,344,004</u>
Capital Assets, net	<u>\$ 5,337,541</u>	<u>\$ 291,518</u>	<u>\$ (11,400)</u>	<u>\$ 5,617,659</u>

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

Instruction:	
Regular	\$ 43,761
Special	281
Support Services:	
Pupils	1,819
Instructional Staff	373
Administration	3,682
Fiscal	1,121
Operation and Maintenance of Plant	2,042
Pupil Transportation	48,288
Central	10,815
Operation of Non-Instructional Services	3,743
Extracurricular Activities	10,164
Unallocated Depreciation	119,784
Total Depreciation Expense	<u>\$ 245,873</u>

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

During the fiscal year the School District made several adjustments to correct the carrying value of its capital assets which resulted in a restatement of beginning balances (See Note 3).

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

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

During fiscal year 2014, the District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSP (See Note 15). The District contracts for automobile liability, education general liability and employee benefits liability with OSP.

Insurance coverage provided includes the following:

Buildings and Contents – replacement cost (\$1,000 deductible)	\$14,676,009
Automobile Liability (\$1,000 deductible)	2,000,000
Uninsured Motorists (\$1,000 deductible)	250,000
School Errors & Omissions Liability	1,000,000
General Liability:	
Per occurrence	2,000,000
Total per year	4,000,000
Umbrella Liability	2,000,000

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

B. Workers' Compensation

For fiscal year 2014, the District participated in the Southwest Ohio Educational Purchasing Council of Worker's Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (see Note 15). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall saving percentage of the GRP.

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

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 9 - RISK MANAGEMENT (Continued)

C. Medical Benefits

For fiscal year 2014, the District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (See Note 15). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2014, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$192,231, \$198,310 and \$179,975, respectively; 100 percent of the required pension contributions for each of the fiscal years have been contributed by the School District.

B. State Teachers Retirement System

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

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; The DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary. Employee contributions are scheduled to increase 1 percent for each of the next three fiscal years until the employee rate reaches 14 percent effective July 1, 2016. At that point, both the employee and the employer rates will be 14 percent, the statutory maximum rates. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013 and 2012, were \$390,803, \$411,664 and \$421,880, respectively; 100 percent of the required pension contributions for each of the fiscal years have been contributed by the School District.

C. Social Security System

Effective, July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2014, one member of the Board of Education has elected Social Security. The District's liability is 6.2 percent of wages paid. The remaining Board members contribute to the School Employees Retirement System.

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 11 – POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, by calling (800) 878-5853 or by visiting the SERS website at ohsers.org.

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2014, 0.14 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2014, this amount was \$20,250.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$16,235, \$17,468 and \$21,503 respectively; 100 percent of the required pension contributions for each of the fiscal years have been contributed by the School District.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2014, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012 were \$10,435, \$10,482 and \$9,642, respectively; 100 percent of the required pension contributions for each of the fiscal years have been contributed by the School District.

B. State Teachers Retirement System

The District contributes to the cost-sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 11 – POSTEMPLOYMENT BENEFITS (Continued)

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The Districts contributions for Health care for the fiscal years ended June 30, 2014, 2013 and 2012 were \$27,915, \$29,405 and \$30,134 and respectively; 100 percent of the required pension contributions for each of the fiscal years have been contributed by the School District.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for all employees. Upon retirement, payment is made for one-fourth of accrued but unused sick leave to a maximum of 60 days for all employees.

B. Health Care Benefits

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

NOTE 13 - LONG-TERM OBLIGATIONS

The changes in the District’s long-term obligations during fiscal year 2014 were as follows:

	Amount			Amount	Amount
	Outstanding	Increase	Decrease	Outstanding	Due Within
	June 30, 2013			June 30, 2014	One Year
Long-Term Obligations:					
HB 264 Energy Conservation Note	\$ 453,825	\$ -	\$ (122,407)	\$ 331,418	\$ 128,081
Capital Leases	799,000	-	(26,000)	773,000	28,000
Compensated Absences	394,008	14,185	(54,986)	353,207	52,302
Total Governmental Activities	<u>\$ 1,646,833</u>	<u>\$ 14,185</u>	<u>\$ (203,393)</u>	<u>\$ 1,457,625</u>	<u>\$ 208,383</u>

Compensated absences will be paid from the fund from which the employees’ salaries are paid, which is primarily the General fund.

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

The capital lease was used to purchase 132 acres of land adjacent to the schools current location with the intent of building new school buildings in the future. Lease payments are made out of the permanent improvement fund.

During fiscal year 2012 and 2011 the District entered into and Energy Conservation Notes to upgrade the propane heating system and lighting. Note payments are made out of the general fund.

The District's Energy Conservation Notes requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	128,081	13,724	141,805
2016	134,018	7,787	141,805
2017	69,319	1,584	70,903
Total	<u>\$ 331,418</u>	<u>\$ 23,095</u>	<u>\$ 354,513</u>

The District's overall legal debt margin was \$13.0 million with an unvoted debt margin of \$144,259 and an energy conservation debt margin of \$966,909 at June 30, 2014.

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

<u>Year</u>	<u>Minimum Lease Payment</u>
2015	\$ 67,388
2016	67,003
2017	66,541
2018	66,992
2019	66,354
2020-2024	331,753
2025-2029	329,933
2030-2032	<u>194,773</u>
Total minimum lease payments	1,190,737
Less: Amount representing interest	<u>(417,737)</u>
Total present value of minimum lease payments	<u>\$ 773,000</u>

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Dayton Educational Cooperative Association

The District is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties and the Cities of Dayton, Troy and Greenville. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MDECA consists of seven superintendents of member school districts, with six of the superintendents elected by majority vote of all member school districts except the Montgomery County Educational Service Center. Payments to MDECA are made from the general fund. During fiscal year 2014, the District paid \$29,200 to MDECA. Financial information can be obtained from Jerry Woodyard, who serves as Director, at 201 Riverside Drive, Suite 1C, Dayton, Ohio 45405

Southwestern Ohio Educational Purchasing Cooperative

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2014, the District paid \$660 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center, Suite 208, Vandalia, Ohio 45377.

Southwestern Ohio Instructional Technology Association

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

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

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

All member districts are obligated to pay all fees, charges or other assessments as established by SOITA. Upon dissolution, the net position shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During the fiscal year 2014, the District had no payments to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Strouse, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

NOTE 15 - INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

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

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

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

Ohio School Plan

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

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	<u>Capital Acquisition</u>
Set-aside Cash Balance, As of June 30, 2013	\$ -
Current Year Set-aside Requirement	159,983
Qualifying Offset: Permanent Improvement Levy	<u>(583,735)</u>
Total	<u>(423,752)</u>
Balance Carried Forward to FY 2015	<u>\$ -</u>

The District had qualifying offsets (permanent improvement levy) during the fiscal year that reduced the set-aside amount to zero for the capital acquisition set-aside.

NOTE 17 - CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2014.

B. Litigation

The District is not party to any legal proceedings.

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 18 – INTERFUND TRANSACTIONS

At June 30, 2014, the non-major food service and Title I grant special revenue funds owed the general fund \$20,000 and \$9,829, respectively, for an advance of operating resources and covering a cash deficit at year. The advance transaction is recorded as a due from/to other funds within the fund financial statements, with the deficit cash balance transaction is recorded as interfund receivable/payable.

During fiscal year 2014, the general fund transferred \$10,000 to the non-major district managed student activities special revenue fund to provide for specific purchases. The District may transfer funds from the general fund to any other fund maintained upon approval by the Board of Education.

Interfund balances and transfers between governmental funds are eliminated on the government-wide financial statements. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 19 – INCOME TAXES

In fiscal year 2010, the voters of the District passed a .75% school income tax on wages earned by residents of the District. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds.

NOTE 20 – OTHER COMMITMENTS

The District uses encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, assigned or unassigned classifications of fund balance. At year end the District's commitments for encumbrances in the General fund, Permanent Improvement fund and Other Governmental funds were \$142,159, \$345,800 and \$14,882, respectively.

NOTE 21 – CHANGE IN ACCOUNTING PRINCIPALS

During the year ended June 30, 2014, the District implemented GASB Statement No. 66, *Technical Corrections – 2012*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. GASB Statement No. 66 changes the requirement to account for risk financing (self-insurance) within the general or internal service funds, changes the determination of the carrying value of purchased loans or group of loans, and modified the manner in which service fees should be reported on mortgage loans sold. GASB Statement No. 70 establishes reporting standards for nonexchange financial guarantee and to recognize a liability when qualitative factors and historical data indicate the government will more than likely be required to make a payment on the guarantee. Neither of these statements required the District to restate any prior fiscal year balances.

In addition, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, has been issued by the GASB but is not required to be implemented by the District until fiscal year 2015. Management has not yet determined the impact this new standard will have on the District's financial statements.

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 22 – SUBSEQUENT EVENT

On August 6, 2014 the School District issued \$22.0 million of school improvement bonds in two different series, series 2014A and 2014B, which are general obligation bonds pledging the full faith, credit, and revenue of the School District. These bonds carrying interest rates varying between 1.00 percent to 4.00 percent and fully mature on November 1, 2051. These bonds were issued to finance the construction of school facilities, renovations, and athletic facility improvements, together with the necessary furnishings, equipment, site improvements, and all necessary appurtenances, authorized pursuant to the vote of the electors of the District at an election held May 6, 2014.



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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bethel Local School District, Miami County, Ohio, as of and for the fiscal year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Bethel Local School District's basic financial statements and have issued our report thereon dated December 25, 2015.

Internal Control Over Financial Reporting

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

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

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

Board of Educational
Bethel Local School District

Compliance and Other Matters

As part of reasonably assuring whether the Bethel Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 Bethel Local School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Bethel Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
December 25, 2015



Dave Yost • Auditor of State

BETHEL LOCAL SCHOOL DISTRICT

MIAMI COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 22, 2016**