

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

**BASIC FINANCIAL STATEMENTS
*(AUDITED)***

*FOR THE FISCAL YEAR ENDED
JUNE 30, 2015*

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, 2014 through June 30, 2015. 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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the fiscal year ended June 30, 2015, the Bethel Local School District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

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, 2015

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, 2015. 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 2015 are as follows:

Overall:

- Total net position increased \$128,116; a 7.9 percent from fiscal year 2014. While there were large increases in current assets and long term liabilities due to the issuance of \$22 million of general obligation bonds during the year, the change in net position was not greatly affected as the majority of the cash received through the issuance remained on hand at year end.
- General revenues accounted for \$10.0 million or 86.7 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 13.3 percent of total revenues of \$11.5 million.
- Of the School District's \$11.4 million in expenses, only \$1.5 million were offset by program specific charges for services, grants or contributions. General revenues of \$9.9 million (primarily unrestricted grants and entitlements, as well as local taxes) were used to cover the net expense.
- The School District's major funds (general, bond retirement, and building funds) reported revenues and expenditures totaling \$10.2 million and \$11.1 million, respectively, out of the total \$11.5 million in revenues and \$12.7 million of expenditures reported for all governmental funds for the year. The General Fund's balance increased \$460,058 during the current fiscal year; ending at \$3.5 million compared to the \$3.0 million reported at the end of the prior year. Of the \$3.5 million ending General Fund balance, \$3.3 million is classified as unassigned fund balance which represents 38.1 percent of the total expenditures reported by the General Fund for the year.
- During fiscal year 2015, the School District issued \$22.0 million of general obligation bonds to provide financing for the construction of a new high school building and renovations to existing buildings over the next few years.

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, 2015

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, referred to as major funds, with all other non-major funds presented in total in one column.

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 2015?" The Statement of Net Position and the Statement of Activities answers this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 net position. 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 major funds (general, bond retirement and building funds) are presented separate from the other governmental funds.

BETHEL LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

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. Table 1 provides a summary of the School District's net position for 2015 compared to 2014, the net position at June 30, 2014 has been restated as described in Note 3:

**TABLE 1
NET POSITION**

| | <u>2015</u> | <u>Restated 2014</u> |
|---|-----------------------|--------------------------|
| ASSETS: | | |
| Current and Other Assets | \$ 30,217,192 | 7,524,811 |
| Capital Assets | <u>7,099,723</u> | <u>5,617,659</u> |
| Total Assets | <u>37,316,915</u> | <u>13,142,470</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension | <u>677,756</u> | <u>524,492</u> |
| Total Deferred Outflows of Resources | <u>677,756</u> | <u>524,492</u> |
| LIABILITIES | | |
| Current Liabilities | 1,546,273 | 835,576 |
| Noncurrent Liabilities | | |
| Due Within One Year | 456,604 | 208,383 |
| Due in More than One Year: | | |
| Net Pension Liability | 8,331,761 | 9,898,852 |
| Other Obligations Due in More than One Year | <u>23,616,748</u> | <u>1,249,242</u> |
| Total Liabilities | <u>33,951,386</u> | <u>12,192,053</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Property Taxes | 4,021,878 | 3,086,703 |
| Pension | <u>1,505,085</u> | <u>-</u> |
| Total Deferred Inflows of Resources | <u>5,526,963</u> | <u>3,086,703</u> |
| NET POSITION: | | |
| Net Investment in Capital Assets | 4,844,546 | 4,513,241 |
| Restricted | 166,112 | 472,848 |
| Unrestricted | <u>(6,494,336)</u> | <u>(6,597,883)</u> |
| Total Net Position | <u>\$ (1,483,678)</u> | <u>(1,611,794)</u> |

BETHEL LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

During 2015, the School District adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

BETHEL LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from a positive \$7,762,566 to a deficit of \$1,611,794.

The amount by which the School District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources is called net position. As of June 30, 2015, the School District's net position was a negative \$1.5 million compared with the negative \$1.6 million reported at the beginning of the year. This deficit net position was created by the implementation of GASB 68 during the year which required the School District to recognize its proportionate share of the net pension liabilities of the retirement systems it contributes to; which as of June 30, 2015 reduced net position of the School District by \$9.2 million. Approximately \$4.8 million of the remaining net position reported was invested in capital assets, net of debt related to those assets, and another \$166,112 was subject to external restrictions upon its use.

The net position at June 30, 2014 has been restated as described in Note 3. Table 2 shows the changes in net position for fiscal year 2015 compared to 2014.

**TABLE 2
CHANGE IN NET POSITION**

| | <u>2015</u> | <u>Restated 2014</u> |
|---|-------------------|--------------------------|
| REVENUES: | | |
| Program Revenues: | | |
| Charges for Services | \$ 816,892 | 1,043,953 |
| Operating Grants and Contributions | 717,059 | 431,356 |
| Capital Grants and Contributions | 6,447 | 22,067 |
| General Revenues: | | |
| Property and Income Taxes | 6,183,731 | 5,420,186 |
| Grants and Entitlements | 3,596,125 | 3,517,006 |
| Other | 236,104 | 207,171 |
| Total Revenues | <u>11,556,358</u> | <u>10,641,739</u> |
| PROGRAM EXPENSES: | | |
| Instruction | 5,641,972 | 5,447,612 |
| Support Services: | | |
| Pupils and Instructional Staff | 524,123 | 412,090 |
| Board of Education, Administration Fiscal and Business | 1,120,780 | 973,896 |
| Operation and Maintenance of Plant | 951,754 | 670,080 |
| Pupil Transportation | 708,100 | 734,668 |
| Central | 101,112 | 110,732 |
| Operation of Non-Instructional Services | 287,870 | 293,198 |
| Extracurricular Activities | 427,639 | 310,951 |
| Interest and Fiscal Charges | 1,536,334 | 59,318 |
| Depreciation Expense | <u>128,468</u> | <u>119,784</u> |

(Continued)

BETHEL LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

TABLE 2
CHANGE IN NET POSITION
(Continued)

| | <u>2015</u> | <u>Restated 2014</u> |
|----------------------------------|------------------------------|---------------------------|
| Total Expenses | <u>11,428,152</u> | <u>9,132,329</u> |
| Change in Net Position | 128,206 | 1,509,410 |
| Net Position beginning of year | (1,611,794) | 6,253,156 |
| Restatement to Implement GASB 68 | <u>-</u> | <u>(9,374,360)</u> |
| Net Position ending of year | \$ <u><u>(1,483,588)</u></u> | <u><u>(1,611,794)</u></u> |

(Concluded)

The information necessary to restate the fiscal year 2014 beginning balances and the fiscal year 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, the functional expenses reported for fiscal year 2014, which amounted to \$524,492, was reported using the guidance of GASB Statement No. 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the pension plans. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows and outflow of resources. The required contribution is no longer a component of pension expense under GASB 68. Using the guidance provided by GASB 68, the fiscal year 2015 statements report pension expense totaling \$384,060. Consequently, in order to compare fiscal year 2015 total program expenses to those of fiscal year 2014, the following adjustments are needed:

| | |
|---|----------------------------|
| Total FY2015 program expenses under GASB 68 | \$ 11,428,152 |
| Pension expense under GASB 68 | (384,060) |
| FY2015 contractually required contributions | <u>599,330</u> |
| Adjusted FY2015 program expenses | 11,643,422 |
| Total FY2014 program expenses under GASB 27 | <u>9,132,329</u> |
| Increase in program expenses not related to pension | \$ <u><u>2,511,093</u></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 53.5 percent of revenues for governmental activities for the Bethel Local School District for fiscal year 2015. 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 2015.

For fiscal year 2015, total revenue reported by District increased 8.6 percent or \$914,619. The increase is primarily a result of additional property and income tax revenue received during the year due to the full collection of the bond levy approved by voters to provide financing for the new school building construction project.

BETHEL LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

The increase in net position for the year was \$128,206 compared to the \$1.5 million increase reported for the prior year. Total expenses increased 25.1 percent over those reported in the prior year which account for the reduction in the increase in net position. Approximately \$1.5 million of the increase in expenses is attributed to the increase in interest and fiscal charges reported for the year due to interest payments on the new general obligation bonds, issuance costs and accreted interest recognized on the capital appreciation bonds. Increases in personnel costs (wages and benefits) and equipment purchases which do not meet the School District's capitalization threshold accounted for the majority of the increased expenses in the remaining functions 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**

| | 2015 | | 2014 | |
|--|--------------------------|------------------------|--------------------------|------------------------|
| | Total Cost of Service | Net Cost of Service | Total Cost of Service | Net Cost of Service |
| Instruction | \$ 5,641,972 | 4,722,626 | 5,447,612 | 4,529,920 |
| Support Services: | | | | |
| Pupils and Instructional Staff | 524,123 | 350,680 | 412,090 | 286,770 |
| Board of Education, Administration, Fiscal and Business | 1,120,780 | 1,120,780 | 973,896 | 973,896 |
| Operation and Maintenance of Plant | 951,754 | 951,754 | 670,080 | 670,080 |
| Pupil Transportation | 708,100 | 701,653 | 734,668 | 734,668 |
| Central | 101,112 | 75,648 | 110,732 | 80,395 |
| Operation of Non-Instructional Services | 287,870 | (5,485) | 293,198 | 22,330 |
| Extracurricular Activities | 427,639 | 305,296 | 310,951 | 157,792 |
| Interest and Fiscal Charges | 1,536,334 | 1,536,334 | 59,318 | 59,318 |
| Depreciation Expense | 128,468 | 128,468 | 119,784 | 119,784 |
| Total Expenses | \$ <u>11,428,152</u> | <u>9,887,754</u> | <u>9,132,329</u> | <u>7,634,953</u> |

In fiscal year 2015, the District reported a slight increase in program revenue, approximately \$43,000, from the prior year, as decreases in open enrollment tuition charges for services were offset by increases in operating grants and contributions for the year. For fiscal year 2015 and 2014, general revenues of the District were used to pay 86.5 and 83.6 percent of total expenses incurred, respectively.

The School District's Funds

On the modified accrual basis of accounting, the District's major governmental funds had ending fund balances totaling \$24.6 million.

The District's primary operating fund, the General Fund, ended the year with revenues exceeding expenditures by \$460,058. The unassigned ending fund balance of the General Fund, \$3.3 million, represents approximately 38.1 percent of the total expenditures reported in the General Fund compared with the 36.0 percent reported for the prior year. Personnel costs increases in the instruction, pupil support and instructional support functions account for the majority of the increase in expenditures reported for the fund compared with the prior year.

BETHEL LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2015

The District's other major funds (the Bond Retirement and Building Funds) both reported increases to fund balance of the year. The Bond Retirement Fund reported a \$447,795 increase in fund balance as tax revenues for the year exceeded the required debt service payments. The Building Fund reported an increase in fund balance of \$20.5 million for the year as the proceeds from the \$22.0 million bond issuance was recorded within this fund and only \$1.5 million of construction related expenditures were recognized for the period. This fund is expected to decrease significantly over the next few years as the construction and renovation projects progress.

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 2015, the District increased its anticipated revenues from \$7.5 million to \$8.3 million to account for anticipated increases in taxes and state foundation revenues for the year, while budgeted expenditures remained the same throughout the year at \$8.0 million. Actual revenues were \$187,033 higher than final budget estimates and actual expenditures were nearly identical to the estimated expenditures for the year. Overall ending budgetary fund balance for the general fund ended the fiscal year with a \$3.0 million balance compared to \$1.9 million originally anticipated at the beginning of the fiscal year.

Capital Assets

At the end of fiscal year 2015, the School District had \$7.1 million invested in land, construction in progress, buildings, furniture and equipment, and vehicles in governmental activities. Table 4 shows fiscal year 2015 balances compared to 2014:

**TABLE 4
CAPITAL ASSETS**

| | 2015 | 2014 |
|---------------------------|---------------------|------------------|
| Land | \$ 1,138,500 | 1,138,500 |
| Construction in Progress | 1,808,703 | 135,155 |
| Land Improvements | 60,457 | 90,225 |
| Building and Improvements | 3,343,939 | 3,402,223 |
| Equipment | 551,415 | 598,160 |
| Vehicles | 196,709 | 253,396 |
| | <u>\$ 7,099,723</u> | <u>5,617,659</u> |

Overall capital assets increased approximately \$1.5 million from fiscal year 2014 as the current year additions to capital assets were more than current year depreciation expense. Construction in progress related to the new high school facility as well as renovations to existing 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.

BETHEL LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015

Debt Administration

During fiscal year 2015, the District issued \$22.0 million of general obligation bonds (in two separate series) for the purpose of constructing a new high school building. These bonds carry interest rates ranging from 1.0 percent to 4.5 percent. The first principal payment is due November 1, 2015 and the bonds will fully mature on November 1, 2051.

In addition to the general obligation bonds, the District has a capital lease and energy conservation notes payable outstanding at year-end. The 30 year capital lease agreement has an outstanding balance of \$745,000 at year-end and was used in fiscal year 2004 to purchase 132 acres of land adjacent to the School District's property. The District had an outstanding note totaling \$203,337 which was used in previous years to finance various energy improvements throughout District facilities.

Total principal payments made during the year amounted to \$156,081 with another \$403,018 of principal payments due to be paid within one year.

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, 2015

| | Governmental Activities |
|---|----------------------------|
| Assets: | |
| Equity in Pooled Cash and Cash Equivalents | \$ 15,294,379 |
| Investments | 9,507,021 |
| Receivables: | |
| Property and Other Local Taxes | 4,900,930 |
| Income Taxes | 457,473 |
| Accounts | 28,209 |
| Intergovernmental | 25,695 |
| Inventory Held for Resale | 3,485 |
| Non-Depreciable Capital Assets | 2,947,203 |
| Depreciable Capital Assets, Net | 4,152,520 |
| Total Assets | 37,316,915 |
| Deferred Outflows of Resources: | |
| Pension | 677,756 |
| Total Deferred Outflows of Resources | 677,756 |
| Liabilities: | |
| Accounts Payable | 66,535 |
| Contracts Payable | 565,585 |
| Accrued Wages and Benefits Payable | 610,775 |
| Intergovernmental Payable | 154,753 |
| Accrued Interest Payable | 148,625 |
| Long Term Liabilities: | |
| Due Within One Year | 456,604 |
| Due in More Than One Year | |
| Net Pension Liability | 8,331,761 |
| Other Amounts Due in More Than One Year | 23,616,748 |
| Total Liabilities | 33,951,386 |
| Deferred Inflows of Resources: | |
| Property Taxes not Levied to Finance Current Year | 4,021,878 |
| Pension | 1,505,085 |
| Total Deferred Inflows of Resources | 5,526,963 |
| Net Position: | |
| Net Investment in Capital Assets | 4,844,546 |
| Restricted for: | |
| Capital Projects | 88,177 |
| Student Activities | 44,399 |
| Other Purpose | 33,536 |
| Unrestricted | (6,494,336) |
| Total Net Position | \$ (1,483,678) |

See accompanying notes to the financial statements

BETHEL LOCAL SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

| | General Fund | Bond Retirement Fund | Building Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------------|----------------------|--------------------------------|--------------------------------|
| Assets: | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 3,292,798 | \$ 279,391 | \$ 11,557,839 | \$ 164,351 | \$ 15,294,379 |
| Investments | - | - | 9,507,021 | - | 9,507,021 |
| Receivables: | | | | | |
| Property and Other Local Taxes | 3,346,563 | 1,123,541 | - | 430,826 | 4,900,930 |
| Income Taxes | 457,473 | - | - | - | 457,473 |
| Accounts | 28,209 | - | - | - | 28,209 |
| Intergovernmental | - | - | - | 25,695 | 25,695 |
| Interfund | 6,179 | - | - | - | 6,179 |
| Inventory Held for Resale | - | - | - | 3,485 | 3,485 |
| Total Assets | \$ 7,131,222 | \$ 1,402,932 | \$ 21,064,860 | \$ 624,357 | \$ 30,223,371 |
| Liabilities: | | | | | |
| Accounts Payable | \$ 30,310 | \$ - | \$ - | \$ 36,225 | \$ 66,535 |
| Contracts Payable | - | - | 515,131 | 50,454 | 565,585 |
| Accrued Wages and Benefits | 593,161 | - | - | 17,614 | 610,775 |
| Intergovernmental Payable | 150,214 | - | - | 4,539 | 154,753 |
| Interfund Payable | - | - | - | 6,179 | 6,179 |
| Total Liabilities | 773,685 | - | 515,131 | 115,011 | 1,403,827 |
| Deferred Inflows of Resources: | | | | | |
| Unavailable Revenue | 156,905 | 18,345 | - | 34,293 | 209,543 |
| Property Taxes not Levied to Finance Current Year | 2,735,717 | 936,176 | - | 349,985 | 4,021,878 |
| Total Deferred Inflows of Resources | 2,892,622 | 954,521 | - | 384,278 | 4,231,421 |
| Fund Balances: | | | | | |
| Nonspendable | | | | | |
| Inventory | - | - | - | 3,485 | 3,485 |
| Restricted for: | | | | | |
| Debt Service | - | 448,411 | - | - | 448,411 |
| Facilities Construction and Maintenance | - | - | 20,549,729 | 82,736 | 20,632,465 |
| Extracurricular Activities | - | - | - | 44,399 | 44,399 |
| Education Grants | - | - | - | 12,561 | 12,561 |
| Other Purposes | - | - | - | 2,922 | 2,922 |
| Assigned to: | | | | | |
| Student Activities | 44,510 | - | - | - | 44,510 |
| Unpaid Obligations | 12,575 | - | - | - | 12,575 |
| Subsequent Appropriations | 97,627 | - | - | - | 97,627 |
| Unassigned | 3,310,203 | - | - | (21,035) | 3,289,168 |
| Total Fund Balances | 3,464,915 | 448,411 | 20,549,729 | 125,068 | 24,588,123 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 7,131,222 | \$ 1,402,932 | \$ 21,064,860 | \$ 624,357 | \$ 30,223,371 |

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, 2015

| | | |
|--|--------------|----------------|
| Total Governmental Fund Balances: | | \$ 24,588,123 |
| 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. | | 7,099,723 |
| 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 | 90,057 | |
| Income Taxes | 71,431 | |
| Intergovernmental Grants | 25,695 | |
| Miscellaneous Revenues | 22,360 | |
| | | 209,543 |
| Long-term liabilities which are not due and payable in the current period and therefore are not reported in the funds. | | |
| Accrued Interest | (148,625) | |
| Compensated Absences | (346,686) | |
| General Obligation Bonds | (21,999,999) | |
| Accreted Interest on Capital Appreciation Bonds | (451,187) | |
| Unamortized Bond Premiums | (327,143) | |
| Energy Conservation notes payable | (203,337) | |
| Capital leases payable | (745,000) | |
| | | (24,221,977) |
| The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows and outflows are not reported in governmental funds: | | |
| Deferred Outflows - Pension | 677,756 | |
| Deferred Inflows - Pension | (1,505,085) | |
| Net Pension Liability | (8,331,761) | |
| | | (9,159,090) |
| Net Position of Governmental Activities | | \$ (1,483,678) |

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, 2015

| | General Fund | Bond Retirement Fund | Building Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|----------------------------|----------------------|--------------------------------|--------------------------------|
| Revenues: | | | | | |
| Property and Other Local Taxes | \$ 3,627,738 | \$ 979,605 | \$ - | \$ 489,856 | \$ 5,097,199 |
| Income Taxes | 1,105,533 | - | - | - | 1,105,533 |
| Intergovernmental | 3,763,343 | 45,612 | - | 468,840 | 4,277,795 |
| Interest | 18,183 | - | 44,558 | 10 | 62,751 |
| Tuition and Fees | 501,461 | - | - | - | 501,461 |
| Charges for Services | - | - | - | 202,848 | 202,848 |
| Extracurricular Activities | 7,606 | - | - | 104,977 | 112,583 |
| Miscellaneous | 139,810 | - | - | 41,061 | 180,871 |
| Total Revenues | 9,163,674 | 1,025,217 | 44,558 | 1,307,592 | 11,541,041 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 3,711,193 | - | - | 52,770 | 3,763,963 |
| Special | 1,085,015 | - | - | 179,484 | 1,264,499 |
| Other Instruction | 584,528 | - | - | - | 584,528 |
| Support Services: | | | | | |
| Pupils | 255,743 | - | - | 50,000 | 305,743 |
| Instructional Staff | 220,623 | - | - | 11,609 | 232,232 |
| Board of Education | 32,321 | - | - | - | 32,321 |
| Administration | 722,201 | - | - | 15,307 | 737,508 |
| Fiscal | 344,325 | 11,613 | - | 10,295 | 366,233 |
| Business | 18,133 | - | - | - | 18,133 |
| Plant Operation and Maintenance | 594,791 | - | - | 92,266 | 687,057 |
| Pupil Transportation | 652,577 | - | - | 29,901 | 682,478 |
| Central | 43,331 | - | - | 43,003 | 86,334 |
| Non-Instructional Services | 34 | - | - | 288,819 | 288,853 |
| Extracurricular Activities | 240,967 | - | - | 173,970 | 414,937 |
| Capital Outlay | 36,029 | - | 1,494,828 | 599,997 | 2,130,854 |
| Debt Service: | | | | | |
| Principal Retirement | 128,081 | - | - | 28,000 | 156,081 |
| Interest and Fiscal Charges | 13,724 | 565,809 | - | 39,388 | 618,921 |
| Issuance Costs | - | 335,359 | - | - | 335,359 |
| Total Expenditures | 8,683,616 | 912,781 | 1,494,828 | 1,614,809 | 12,706,034 |
| Excess of Revenues Over(Under) | | | | | |
| Expenditures | 480,058 | 112,436 | (1,450,270) | (307,217) | (1,164,993) |
| Other Financing Sources (Uses): | | | | | |
| General Obligation Bonds Issued | - | - | 21,999,999 | - | 21,999,999 |
| Premium on Bonds Issued | - | 335,359 | - | - | 335,359 |
| Transfers-In | - | - | - | 20,000 | 20,000 |
| Transfers-Out | (20,000) | - | - | - | (20,000) |
| Total Other Financing Sources (Uses) | (20,000) | 335,359 | 21,999,999 | 20,000 | 22,335,358 |
| Change in Fund Balance | 460,058 | 447,795 | 20,549,729 | (287,217) | 21,170,365 |
| Fund Balance at Beginning of Year | 3,004,857 | 616 | - | 412,285 | 3,417,758 |
| Fund Balance at End of Year | \$ 3,464,915 | \$ 448,411 | \$ 20,549,729 | \$ 125,068 | \$ 24,588,123 |

See accompanying notes to the financial statements

BETHEL LOCAL SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | | |
|--|------------------|-------------------|
| Net Change in Fund Balances - Total Governmental Funds | | \$ 21,170,365 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. | | |
| Capital Asset Additions | 1,862,037 | |
| Current Year Depreciation | <u>(270,428)</u> | |
| Total | | 1,591,609 |
| 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: | | |
| Loss on Disposal of Assets | | (109,545) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds | | |
| Property Taxes | (30,179) | |
| Income Taxes | 11,178 | |
| Intergovernmental | 11,868 | |
| Miscellaneous | <u>22,360</u> | |
| | | 15,227 |
| 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. | | |
| Capital Lease | 28,000 | |
| HB 264 Note | <u>128,081</u> | |
| | | 156,081 |
| Issuance of debt and other related items are other financing sources in the governmental funds but the revenue increases long-term liabilities in the statement of net assets. | | |
| General Obligation Bonds Issued | (21,999,999) | |
| Premium on Bonds Issued | <u>(335,359)</u> | |
| | | (22,335,358) |
| 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. | | |
| Accrued Interest | (139,083) | |
| Amortization of Bond Premium | 8,216 | |
| Interest Accretion on Capital Appreciation Bonds | (451,187) | |
| Compensated Absences Payable | <u>6,521</u> | |
| | | (575,533) |
| Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows. | | |
| | | 599,330 |
| Except for amounts reported as deferred inflows and outflows, changes in the net pension liability are reported as pension expense in the statement of activities. | | |
| | | <u>(384,060)</u> |
| Change in Net Position of Governmental Activities | | <u>\$ 128,116</u> |

See accompanying notes to the financial statements

BETHEL LOCAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

| | Original Budget | Final Budget | Actual | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| Revenues: | | | | |
| Property and Other Local Taxes | \$ 2,575,413 | \$ 2,844,921 | \$ 3,141,622 | \$ 296,701 |
| Income Tax | 1,089,827 | 1,203,874 | 1,121,176 | (82,698) |
| Intergovernmental | 3,158,772 | 3,489,326 | 3,680,312 | 190,986 |
| Interest | 18,558 | 20,500 | 18,183 | (2,317) |
| Tuition and Fees | 585,039 | 646,261 | 471,205 | (175,056) |
| Miscellaneous | 66,722 | 73,704 | 33,121 | (40,583) |
| Total Revenues | <u>7,494,331</u> | <u>8,278,586</u> | <u>8,465,619</u> | <u>187,033</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,769,369 | 3,769,369 | 3,631,863 | 137,506 |
| Special | 1,051,521 | 1,051,521 | 1,117,629 | (66,108) |
| Other Instruction | 576,500 | 576,500 | 589,002 | (12,502) |
| Support Services: | | | | |
| Pupils | 198,611 | 198,611 | 227,220 | (28,609) |
| Instructional Staff | 209,133 | 209,133 | 206,257 | 2,876 |
| Board of Education | 44,247 | 44,247 | 40,571 | 3,676 |
| Administration | 688,360 | 688,360 | 727,524 | (39,164) |
| Fiscal | 332,186 | 332,186 | 332,719 | (533) |
| Business | 17,807 | 17,807 | 20,521 | (2,714) |
| Plant Operation and Maintenance | 141,863 | 141,863 | 135,481 | 6,382 |
| Pupil Transportation | 562,988 | 562,988 | 572,790 | (9,802) |
| Central | 29,693 | 29,693 | 39,116 | (9,423) |
| Extracurricular Activities | 210,022 | 210,022 | 235,469 | (25,447) |
| Capital Outlay | 60,066 | 60,066 | 37,029 | 23,037 |
| Debt Service: | | | | |
| Principal Retirement | 128,081 | 128,081 | 128,119 | (38) |
| Interest and Fiscal Charges | 13,724 | 13,724 | 13,686 | 38 |
| Total Expenditures | <u>8,034,171</u> | <u>8,034,171</u> | <u>8,054,996</u> | <u>(20,825)</u> |
| Excess of Revenues Over(Under) | | | | |
| Expenditures | <u>(539,840)</u> | <u>244,415</u> | <u>410,623</u> | <u>166,208</u> |
| Other Financing Sources (Uses): | | | | |
| Refund of Prior Year Expenditures | - | - | 81,809 | 81,809 |
| Transfers-Out | <u>(15,000)</u> | <u>(15,000)</u> | <u>-</u> | <u>15,000</u> |
| Total Other Financing Sources (Uses) | <u>(15,000)</u> | <u>(15,000)</u> | <u>81,809</u> | <u>96,809</u> |
| Net Change in Fund Balance | <u>(554,840)</u> | <u>229,415</u> | <u>492,432</u> | <u>263,017</u> |
| Fund Balance at Beginning of Year | 2,383,969 | 2,383,969 | 2,383,969 | - |
| Prior Year Encumbrances Appropriated | <u>78,670</u> | <u>78,670</u> | <u>78,670</u> | <u>-</u> |
| Fund Balance at End of Year | <u>\$ 1,907,799</u> | <u>\$ 2,692,054</u> | <u>\$ 2,955,071</u> | <u>\$ 263,017</u> |

See accompanying notes to the financial statements

BETHEL LOCAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

| | PRIVATE PURPOSE TRUST | AGENCY FUND |
|--|-----------------------------|----------------|
| Assets: | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 1,944 | \$ 18,133 |
| Investments | 73,197 | - |
| Total Assets | \$ 75,141 | \$ 18,133 |
| Liabilities: | | |
| Accounts Payable | \$ 396 | \$ - |
| Due to Students | - | 18,133 |
| Total Liabilities | 396 | \$ 18,133 |
| Net Position: | | |
| Held in Trust for Scholarships | 74,745 | |
| Total Net Position | \$ 74,745 | |

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, 2015**

| | |
|--|------------------|
| Additions: | |
| Gifts and Contributions | \$ 250 |
| Interest | <u>147</u> |
| Total Additions | <u>397</u> |
| Deductions: | |
| Payments in Accordance with Trust Agreements | <u>1,071</u> |
| Change in Net Position | (674) |
| Net Position - Beginning of Year | <u>75,419</u> |
| Net Position - End of Year | <u>\$ 74,745</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, 2015

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 33 non-certified employees, 52 certificated full-time teaching personnel and 6 administrative employees who provide services to 1,083 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, 2015

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, 2015

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 District's major governmental funds are as follows:

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.

Bond Retirement Fund

The Bond Retirement Fund is used to accumulate resources associated with bond taxes levied which are restricted to the debt service of general obligation debt issued by the District.

Building Fund

The Building Fund is used to account for the proceeds of debt issued by the District to provide financing for the construction of new, and renovations of existing, facilities.

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 deferred outflows of resources 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, 2015

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, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained further in Note 10.

In addition to liabilities, the statements of financial position 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 that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds 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, intergovernmental grants, and miscellaneous revenue. These amounts are deferred and recognized as an inflow of resources as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position and are further explained in Note 10.

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 2015.

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 2015 amounted to \$18,183 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, 2015

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, 2015, 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, 2015

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. Pensions

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

N. 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.

O. 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.

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principle and Restatement of Net Position:

For fiscal year 2015, the School District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| Net Position at June 30, 2014 as previously reported | \$ 7,762,566 |
| Adjustments: | |
| Net Pension Liability at June 30, 2014 | (9,898,852) |
| Deferred Outflows - Payments Subsequent to Measurement Date | <u>524,492</u> |
| Net Position at June 30, 2014 as restated | <u>\$ (1,611,794)</u> |

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Deficit Fund Balances:

The following funds have fund equity deficits as of June 30, 2015:

| | <u>Deficit Fund Equity</u> |
|---|--------------------------------|
| <u>Non-Major Special Revenue Funds:</u> | |
| Food Service Fund | \$ 9,841 |
| Title I | 7,642 |
| 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 2015. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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.

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 | \$ 460,058 |
| Revenue Accruals | 51,513 |
| Expenditure Accruals | 74,001 |
| Encumbrances | (91,098) |
| Transfers | 20,000 |
| Change in Fund Balance of Funds Combined with General Fund for Reporting Purposes | <u>(22,042)</u> |
| Budget (Non-GAAP) Basis | \$ <u><u>492,432</u></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.

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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;
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 \$15,384,991 and the bank balance was \$15,774,256. \$13,712,076 of the bank balance was covered by federal depository insurance and \$2,062,180 was collateralized with securities held by the pledging financial institution's agent in the District's name.

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Investments

As of June 30, 2015, the District had the following investments and maturities:

| <u>Investment</u> | <u>Fair Value</u> | <u>Maturity (in years)</u> | | <u>% of Portfolio</u> |
|---------------------------------------|---------------------|----------------------------|---------------------|-----------------------|
| | | <u>Less than 1</u> | <u>1 to 3</u> | |
| Federal Farm Credit Bank | \$ 3,538,604 | \$ 1,841,030 | \$ 1,697,574 | 37.21% |
| Federal Home Loan Bank | 2,664,702 | 1,570,183 | 1,094,519 | 28.02% |
| Federal Home Loan Mortgage Corp. | 2,062,216 | - | 2,062,216 | 21.69% |
| Federal National Mortgage Association | 1,241,499 | - | 1,241,499 | 13.05% |
| STAR Ohio | <u>2,662</u> | <u>2,662</u> | <u>-</u> | <u>0.03%</u> |
| Total | <u>\$ 9,509,683</u> | <u>\$ 3,413,875</u> | <u>\$ 6,095,808</u> | <u>100.00%</u> |

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District follows Ohio Revised Code (ORC) which limits the amount of credit risk it's going to allow any district to become involved in. It accomplishes this by compiling a specific list of investments, to the exclusion of all other investments, which school districts are legally allowed to participate in. The District has no policy limiting investments based on credit risk other than those established by the ORC.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investments in STAR Ohio is rated AAAM by Standard and Poor's and the remaining investments, all federal agencies, are rated AA+ by Standard and Poor's.

Concentration of Credit Risk: The District has no policy limiting its investment in federal agencies or STAR Ohio. The District's investment in each issuer is noted in the table above.

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 2015 represents collection of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, 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.

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 6 - PROPERTY TAXES (Continued)

Public Utility property tax revenue received in calendar year 2015 represents collection of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 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 2015 taxes were collected are:

| | <u>2015 First Half Collections</u> | | <u>2014 Second Half Collections</u> | |
|---|------------------------------------|----------------|-------------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/Residential and Other Real Estate | \$ 140,266,890 | 97.44% | 140,669,300 | 97.51% |
| Public Utility | <u>3,687,680</u> | <u>2.56%</u> | <u>3,589,200</u> | <u>2.49%</u> |
| Total Assessed Value | \$ <u>143,954,570</u> | <u>100.00%</u> | <u>144,258,500</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | <u>\$61.89</u> | | <u>\$54.15</u> | |

Accrued property taxes receivable represents delinquent taxes outstanding and real and public utility property taxes which became measurable as of June 30, 2015, 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, 2015, 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, 2015

NOTE 8 - CAPITAL ASSETS

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

| | <u>Balance</u> <u>6/30/2014</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>6/30/2015</u> |
|--|------------------------------------|---------------------|---------------------|------------------------------------|
| <u>Capital Assets, not being depreciated:</u> | | | | |
| Land | \$ 1,138,500 | \$ - | \$ - | \$ 1,138,500 |
| Construction in Progress | 135,155 | 1,673,548 | - | 1,808,703 |
| | <u>1,273,655</u> | <u>1,673,548</u> | <u>-</u> | <u>2,947,203</u> |
| <u>Capital Assets, being depreciated:</u> | | | | |
| Land Improvements | 548,177 | 9,130 | (23,093) | 534,214 |
| Buildings and Improvements | 5,314,997 | 66,460 | (3,200) | 5,378,257 |
| Furniture and Equipment | 2,599,579 | 112,899 | (158,110) | 2,554,368 |
| Vehicles | 1,222,475 | - | (41,982) | 1,180,493 |
| | <u>9,685,228</u> | <u>188,489</u> | <u>(226,385)</u> | <u>9,647,332</u> |
| <u>Less: Accumulated Depreciation:</u> | | | | |
| Land Improvements | (457,952) | (15,805) | - | (473,757) |
| Buildings and Improvements | (1,912,774) | (121,544) | - | (2,034,318) |
| Furniture and Equipment | (2,001,419) | (79,546) | 78,012 | (2,002,953) |
| Vehicles | (969,079) | (53,533) | 38,828 | (983,784) |
| | <u>(5,341,224)</u> | <u>(270,428) *</u> | <u>116,840</u> | <u>(5,494,812)</u> |
| Capital Assets, being depreciated, net | <u>4,344,004</u> | <u>(81,939)</u> | <u>(109,545)</u> | <u>4,152,520</u> |
| Capital Assets, net | <u>\$ 5,617,659</u> | <u>\$ 1,591,609</u> | <u>\$ (109,545)</u> | <u>\$ 7,099,723</u> |

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

| | |
|---|-------------------|
| Instruction: | |
| Regular | \$ 41,415 |
| Special | 741 |
| Support Services: | |
| Pupils | 2,065 |
| Instructional Staff | 90 |
| Administration | 5,259 |
| Fiscal | 1,590 |
| Operation and Maintenance of Plant | 4,237 |
| Pupil Transportation | 52,396 |
| Central | 14,778 |
| Operation of Non-Instructional Services | 4,371 |
| Extracurricular Activities | 15,018 |
| Unallocated Depreciation | 128,468 |
| Total Depreciation Expense | <u>\$ 270,428</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.

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 2015, 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 2015, 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, 2015

NOTE 9 - RISK MANAGEMENT (Continued)

C. Medical Benefits

For fiscal year 2015, 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

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$150,745 for fiscal year 2015; \$32,064 of contributions is reported within intergovernmental payable at June 30, 2015.

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description - State Teachers Retirement System (STRS)

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

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

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

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

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

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

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$448,585 for fiscal year 2015; \$77,652 of contributions is reported within intergovernmental payable at June 30, 2015.

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

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|--------------|--------------|--------------|
| Proportionate share of the net pension liability | \$ 1,600,017 | \$ 6,731,744 | \$ 8,331,761 |
| Proportion of the net pension liability | 0.031615% | 0.02767593% | |
| Pension expense | \$ 89,208 | \$ 294,852 | \$ 384,060 |

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|--|-------------------|---------------------|---------------------|
| <u>Deferred Outflows of Resources:</u> | | | |
| Differences between expected and actual experience | \$ 13,618 | \$ 64,808 | \$ 78,426 |
| School District contributions subsequent to the measurement date | <u>150,745</u> | <u>448,585</u> | <u>599,330</u> |
| Total | <u>\$ 164,363</u> | <u>\$ 513,393</u> | <u>\$ 677,756</u> |
| <u>Deferred Inflows of Resources:</u> | | | |
| Net difference between projected and actual earnings on pension plan investments | <u>\$ 259,687</u> | <u>\$ 1,245,398</u> | <u>\$ 1,505,085</u> |

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

\$599,330 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| | <u>SERS</u> | <u>STRS</u> | <u>Total</u> |
|-----------------------------|---------------------|-----------------------|-----------------------|
| Fiscal Year Ending June 30: | | | |
| 2016 | \$ (61,517) | \$ (295,147) | \$ (356,664) |
| 2017 | (61,517) | (295,148) | (356,665) |
| 2018 | (61,517) | (295,147) | (356,664) |
| 2019 | <u>(61,518)</u> | <u>(295,148)</u> | <u>(356,666)</u> |
| | <u>\$ (246,069)</u> | <u>\$ (1,180,590)</u> | <u>\$ (1,426,659)</u> |

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

| | |
|--|--|
| Wage inflation | 3.25 percent |
| Future salary increases, including inflation | 4.00 percent to 22 percent |
| COLA or Ad Hoc COLA | 3 percent |
| Investment rate of return | 7.75 percent of net investments expense, including inflation |
| Actuarial cost method | Entry Age Normal |

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|--------------------------|---|
| Cash | 1.00% | 0.00% |
| US stocks | 22.50% | 5.00% |
| Non-US stocks | 22.50% | 5.00% |
| Fixed income | 19.00% | 1.50% |
| Private equity | 10.00% | 10.00% |
| Real assets | 10.00% | 5.00% |
| Multi-asset strategies | <u>15.00%</u> | 7.50% |
| Total | <u>100.00%</u> | |

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

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

| | <u>1% Decrease (6.75%)</u> | <u>Current Discount Rate (7.75%)</u> | <u>1% Increase (8.75%)</u> |
|--|--------------------------------|--|--------------------------------|
| School District's proportionate share of the net pension liability | \$ 2,282,749 | \$ 1,600,017 | \$ 1,025,781 |

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLANS (Continued)

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

| | <u>1% Decrease (6.75%)</u> | <u>Current Discount Rate (7.75%)</u> | <u>1% Increase (8.75%)</u> |
|--|--------------------------------|--|--------------------------------|
| School District's proportionate share of the net pension liability | \$ 9,637,225 | \$ 6,731,744 | \$ 4,274,684 |

NOTE 11 – POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – In addition to a cost sharing multiple employer defined benefit pension plan, SERS administers a postemployment benefit plan. Sections 3309.375 and 3309.69 of the Ohio Revised Code (ORC) permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS offers several types of health plans from various vendors including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health care coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

Fund Policy – The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pension and benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund to be used to subsidize the cost of health care coverage. For the year ended June 30, 2015, the health care allocation is 0.82%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service was earned. By statute no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for health care surcharge. For fiscal year 2015, the minimum compensation level was established at \$20,450. The School District's allocated contributions to the health care fund for the years ended June 30, 2015, 2014 and 2013 were \$23,142, \$16,235, and \$17,468 respectively; which equaled the required contributions for each year.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves, dependents, or surviving beneficiaries. Premiums vary depending on plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of the health care plan are included in SERS' CAFR which can be obtained at www.ohsers.org under employers/audit resources.

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 11 – POSTEMPLOYMENT BENEFITS

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2015, STRS Ohio did not allocate any portion of the employer contributions to the Health Care Stabilization Fund. The School District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$27,915, and \$29,405 respectively; which equaled the required contributions for each year.

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.

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 13 - LONG-TERM OBLIGATIONS

The District's long-term obligations at June 30, 2014 have been restated as described in Note 3. The changes in the District's long-term obligations during fiscal year 2015 were as follows:

| | Restated Amount Outstanding June 30, 2014 | Increase | Decrease | Amount Outstanding June 30, 2015 | Amount Due Within One Year |
|---------------------------------------|---|----------------------|-----------------------|--|----------------------------------|
| General Obligation Bonds: | | | | | |
| 2014-A School Improvement Bond | | | | | |
| Serial Interest (1.0%-4.25%) | \$ - | \$ 3,730,000 | \$ - | \$ 3,730,000 | \$ 130,000 |
| Term Interest (4.0%-4.5%) | - | 8,710,000 | - | 8,710,000 | - |
| Capital Appreciation | - | 109,999 | - | 109,999 | - |
| Accreted Interest | - | 279,068 | - | 279,068 | - |
| 2014-B School Improvement Bond | | | | | |
| Serial Interest (1.0%-4.25%) | - | 2,155,000 | - | 2,155,000 | 110,000 |
| Term Interest (4.0%-4.5%) | - | 7,255,000 | - | 7,255,000 | - |
| Capital Appreciation | - | 40,000 | - | 40,000 | - |
| Accreted Interest | - | 172,119 | - | 172,119 | - |
| Unamortized Bond Premium | - | 335,359 | (8,216) | 327,143 | - |
| Total General Obligation Bonds | - | 22,786,545 | (8,216) | 22,778,329 | 240,000 |
| Net Pension Liability: | | | | | |
| SERS | 1,880,043 | - | (280,025) | 1,600,018 | - |
| STRS | 8,018,809 | - | (1,287,066) | 6,731,743 | - |
| Total Net Pension Liability | 9,898,852 | - | (1,567,091) | 8,331,761 | - |
| HB 264 Energy Conservation Note | 331,418 | - | (128,081) | 203,337 | 134,018 |
| Capital Leases | 773,000 | - | (28,000) | 745,000 | 29,000 |
| Compensated Absences | 353,207 | 52,205 | (58,726) | 346,686 | 53,586 |
| Total Governmental Activities | \$ 11,356,477 | \$ 22,838,750 | \$ (1,790,114) | \$ 32,405,113 | \$ 456,604 |

The District pays obligations related to employee compensation (compensated absences and pension) from the fund benefiting from their service, which is primarily the General fund.

General Obligation Bonds

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

The 2014 series-A capital appreciation bonds have a combined maturity value of \$455,000 and are set to mature on November 1, 2020 and November 1, 2021. For fiscal year 2015, \$279,068 was accreted and the total bond value outstanding at the end of the year was \$389,067.

The 2014 series-B capital appreciation bonds have a combined maturity value of \$250,000 and are set to mature on November 1, 2020 and November 1, 2021. For fiscal year 2015, \$172,119 was accreted and the total bond value outstanding at the end of the year was \$212,119.

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

NOTE 13 - LONG-TERM OBLIGATIONS (Continued)

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Compounded Interest</u> | <u>Total</u> |
|--------------------|----------------------|----------------------|----------------------------|----------------------|
| 2016 | \$ 240,000 | \$ 810,319 | \$ - | \$ 1,050,319 |
| 2017 | 440,000 | 805,819 | - | 1,245,819 |
| 2018 | 490,000 | 798,844 | - | 1,288,844 |
| 2019 | 535,000 | 791,156 | - | 1,326,156 |
| 2020 | 580,000 | 781,663 | - | 1,361,663 |
| 2021-2025 | 1,504,999 | 3,805,181 | 555,001 | 5,865,181 |
| 2026-2030 | 2,080,000 | 3,479,069 | - | 5,559,069 |
| 2031-2035 | 2,530,000 | 3,015,519 | - | 5,545,519 |
| 2036-2040 | 3,110,000 | 2,424,968 | - | 5,534,968 |
| 2041-2045 | 3,785,000 | 1,744,625 | - | 5,529,625 |
| 2046-2050 | 4,595,000 | 912,613 | - | 5,507,613 |
| 2051-2052 | 2,110,000 | 86,734 | - | 2,196,734 |
| Total | <u>\$ 21,999,999</u> | <u>\$ 19,456,510</u> | <u>\$ 555,001</u> | <u>\$ 42,011,510</u> |

Capital Lease

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

| <u>Fiscal Year</u> | <u>Minimum Lease Payment</u> |
|---|------------------------------|
| 2016 | \$ 67,003 |
| 2017 | 66,541 |
| 2018 | 66,992 |
| 2019 | 66,354 |
| 2020 | 66,628 |
| 2021-2025 | 331,557 |
| 2026-2030 | 328,599 |
| 2031-2032 | 129,675 |
| Total minimum lease payments | 1,123,349 |
| Less: Amount representing interest | (378,349) |
| Total present value of minimum lease payments | <u>\$ 745,000</u> |

Energy Conservation Notes

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

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|-------------------|-----------------|-------------------|
| 2016 | \$ 134,018 | \$ 7,787 | \$ 141,805 |
| 2017 | 69,319 | 1,584 | 70,903 |
| Total | <u>\$ 203,337</u> | <u>\$ 9,371</u> | <u>\$ 212,708</u> |

BETHEL LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2015

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 2015, the District paid \$9,709 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 2015, the District paid \$606 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, 2015

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 fiscal year 2015, the District had payments to SOITA in the amount of \$808. 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, 2015

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, 2014 | \$ - |
| Current Year Set-aside Requirement | 169,542 |
| Qualifying Offset: | |
| Permanent Improvement Levy | <u>(582,014)</u> |
| Total | <u>(412,472)</u> |
| Balance Carried Forward to FY 2016 | <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, 2015.

B. Foundation Funding

Full-Time Equivalency Review – The Ohio Department of Education began conducting reviews of enrollment and full-time equivalency (FTE) calculations made by school districts within the State starting for fiscal year 2015. These reviews are being conducted to ensure the school districts are reporting accurate student enrollment data to the State, which is used in determining state funding allocations. The conclusions of such reviews could result in adjustments to state funding allocations for the fiscal year being reviewed. The fiscal year 2015 reviews have not been completed as of the date of these financial statements, however, management does not anticipate significant adjustments to its state funding allocation to result when reviews are completed.

C. 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, 2015

NOTE 18 – INTERFUND TRANSACTIONS

At June 30, 2015, the non-major Title I grant special revenue fund owed the general fund \$6,179 for covering a cash deficit which existed at the end of the year. This transaction is recorded as interfund receivable/payable within the fund financial statements.

During fiscal year 2015, the general fund transferred \$20,000 to the non-major food service special revenue fund to make an advance, made in a prior fiscal year, permanent. 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, building fund and other governmental funds were \$131,448, \$3,898,849 and \$91,255, respectively. The bond retirement fund had no encumbrances outstanding at year-end.

REQUIRED SUPPLEMENTARY INFORMATION

BETHEL LOCAL SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TWO FISCAL YEARS (1)

| | <u>2014</u> | <u>2013</u> |
|--|--------------|--------------|
| <u>School Employees Retirement System of Ohio</u> | | |
| School District's Proportion of the Net Position Liability | 0.031615% | 0.031615% |
| School District's Proportionate Share of the Net Pension Liability | \$ 1,600,017 | \$ 1,880,043 |
| School District's Covered-Employee Payroll | \$ 927,937 | \$ 958,663 |
| School District's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Employee Payroll | 172.43% | 196.11% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 71.70% | 65.52% |
| <u>State Teachers Retirement System of Ohio</u> | | |
| School District's Proportion of the Net Position Liability | 0.02767593% | 0.02767593% |
| School District's Proportionate Share of the Net Pension Liability | \$ 6,731,744 | \$ 8,018,809 |
| School District's Covered-Employee Payroll | \$ 3,045,231 | \$ 2,940,454 |
| School District's Proportionate Share of the Net Pension Liability as a percentage of its Covered-Employee Payroll | 221.06% | 272.71% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 74.70% | 69.30% |

(1) Information prior to 2013 is not available.

BETHEL LOCAL SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
LAST FIVE FISCAL YEARS (1)

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|--|------------------|------------------|------------------|------------------|------------------|
| <u>School Employees Retirement System of Ohio</u> | | | | | |
| Contractually Required Contribution | \$ 150,745 | \$ 128,612 | \$ 132,679 | \$ 120,412 | \$ 107,884 |
| Contributions in Relation to the Contractually Required Contribution | <u>(150,745)</u> | <u>(128,612)</u> | <u>(132,679)</u> | <u>(120,412)</u> | <u>(107,884)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> |
| School District Covered-Employee Payroll | \$ 1,143,741 | \$ 927,937 | \$ 958,663 | \$ 895,257 | \$ 858,266 |
| Contributions as a Percentage of School District Covered-Employee Payroll | 13.18% | 13.86% | 13.84% | 13.45% | 12.57% |
| <u>State Teachers Retirement System of Ohio</u> | | | | | |
| Contractually Required Contribution | \$ 448,585 | \$ 395,880 | \$ 382,259 | \$ 391,746 | \$ 411,031 |
| Contributions in Relation to the Contractually Required Contribution | <u>(448,585)</u> | <u>(395,880)</u> | <u>(382,259)</u> | <u>(391,746)</u> | <u>(411,031)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> |
| School District Covered-Employee Payroll | \$ 3,204,179 | \$ 3,045,231 | \$ 2,940,454 | \$ 3,013,431 | \$ 3,161,777 |
| Contributions as a Percentage of School District Covered-Employee Payroll | 14.00% | 13.00% | 13.00% | 13.00% | 13.00% |

(1) - Information prior to 2011 is not available.



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**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, 2015, 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, wherein we noted as discussed in Note 3, the Bethel Local School District adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*.

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

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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**