



Dave Yost • Auditor of State



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

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BETHEL-TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bethel-Tate Local School District, Clermont County, Ohio (the District), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no 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 Bethel-Tate Local School District, Clermont County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof and the budgetary comparison for the General fund for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Notes 9 and 19 to the financial statements, during the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and also GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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.

#### *Supplementary and Other Information*

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

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

Columbus, Ohio

March 29, 2016

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**Bethel-Tate Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Bethel-Tate Local School District's (the School District) discussion and analysis of the annual financial report provides a review of the financial performance for the fiscal year ended June 30, 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**

- The School District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2015 by \$2,818,693.
- The School District's net position of governmental activities decreased \$617,284.
- General revenues accounted for \$13,074,945 in revenue or 74 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,631,568 or 26 percent of total revenues of \$17,706,513.
- The School District had \$18,323,797 in expenses; \$4,631,568 of these expenses was offset by program specific charges for services and sales, grants, or contributions.

**USING THIS ANNUAL FINANCIAL REPORT**

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

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

**REPORTING THE SCHOOL DISTRICT AS A WHOLE**

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

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

**Bethel-Tate Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

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

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

## **REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS**

### **Fund Financial Statements**

The analysis of the School District's major funds begins on page 9. Fund financial statements provide detailed information about the School District's major funds – not the School District as a whole. Some funds are required by State law and bond covenants. Other funds may be established by the Treasurer with approval from the Board to help control, manage and report money received for a particular purpose or to show that the School District is meeting legal responsibilities for use of grants. The major funds of the School District are the General Fund, the Bond Retirement Debt Service Fund, and the Permanent Improvement Capital Projects Fund.

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

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

**Bethel-Tate Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

**THE SCHOOL DISTRICT AS A WHOLE**

As stated previously, the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2015 compared to 2014.

Table 1  
 Net Position  
 Governmental Activities

	Governmental Activities	
	2015	2014*
<b>Assets</b>		
Current and Other Assets	\$8,046,467	\$9,219,557
Capital Assets, Net	21,963,068	22,365,910
<b>Total Assets</b>	<b>30,009,535</b>	<b>31,585,467</b>
<b>Deferred Outflows of Resources:</b>		
Pensions	1,364,244	1,121,798
<b>Total Deferred Outflows of Resources</b>	<b>1,364,244</b>	<b>1,121,798</b>
<b>Liabilities</b>		
Current and Other Liabilities	1,859,833	2,128,377
Long-Term Liabilities:		
Due Within One Year	624,898	582,294
Due in More than One Year:		
Net Pension Liabilities	18,421,522	21,888,282
Other Amounts	6,979,531	7,499,328
<b>Total Liabilities</b>	<b>27,885,784</b>	<b>32,098,281</b>
<b>Deferred Inflows of Resources:</b>		
Pensions	3,433,599	-
Property Taxes not Levied to Finance Current Year Operations	2,873,089	2,810,393
<b>Total Deferred Inflows of Resources</b>	<b>6,306,688</b>	<b>2,810,393</b>
<b>Net Position</b>		
Net Investment in Capital Assets	15,706,126	16,181,357
Restricted	2,361,729	3,086,545
Unrestricted (Deficit)	(20,886,548)	(21,469,311)
<b>Total Net Position</b>	<b>(\$2,818,693)</b>	<b>(\$2,201,409)</b>

\*\* As restated, see Note 19 for additional information.

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.

**Bethel-Tate Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

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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.

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 and GASB 71, 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 \$18,565,075 to (\$2,201,409).

Total net position of the School District as a whole decreased \$617,284. The decrease to current and other assets is primarily due to a decrease in cash with the School District at fiscal year-end due mainly to capital outlay expenditures for the School District's classroom facilities project. Capital assets, net decreased due to current year depreciation and deletions, which was partially offset by current year additions.

**Bethel-Tate Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)

Current liabilities decreased primarily due to decreases in contracts payable and retainage payable. Long-term liabilities decreased primarily due to principal payments on debt obligation and due to the decrease in net pension liabilities. Deferred inflows of resources increased due to the implementation of GASB 68.

Table 2 shows the changes in net position for the fiscal year ended June 30, 2015 compared to 2014.

	Table 2 Change in Net Position Governmental Activities	
	2015	2014
Revenues		
Program Revenues:		
Charges for Services and Sales	\$ 1,964,329	\$ 1,818,663
Operating Grants & Contributions	2,667,239	2,199,459
Total Program Revenues	4,631,568	4,018,122
General Revenues:		
Grants and Entitlements, Not Restricted to Specific Programs	9,377,544	9,104,899
Gifts and Donations, Not Restricted to Specific Programs	20,891	27,487
Investment Earnings	17,081	17,938
Miscellaneous	118,121	90,533
Property Taxes	3,541,308	3,784,858
Total General Revenues	13,074,945	13,025,715
Total Revenues	17,706,513	17,043,837
Program Expenses		
Instruction		
Regular	8,495,493	8,677,956
Special	2,530,899	2,214,484
Vocational	81,377	43,271
Other	143,164	121,466
Support Services		
Pupils	965,175	837,580
Instructional Staff	272,168	460,230
Board of Education	21,875	21,382
Administration	1,177,930	1,168,950
Fiscal	254,161	386,262
Operation and Maintenance of Plant	1,393,319	1,552,087
Pupil Transportation	915,539	906,631
Central	72,170	39,476
Operation of Non-Instructional Services	1,208,133	641,713
Extracurricular Activities	423,744	417,454
Interest and Fiscal Charges	368,650	378,314
Issuance Costs	-	28,950
Total Expenses	18,323,797	17,896,206
Increase (Decrease) in Net Position	(617,284)	(852,369)
Net Position at Beginning of Year - As Restated, See Note 19	(2,201,409)	N/A
Net Position at End of Year	\$ (2,818,693)	\$ (2,201,409)

**Bethel-Tate Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,091,348 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$894,166. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$18,323,797
Pension expense under GASB 68	(894,166)
2015 contractually required contribution	1,163,794
Adjusted 2015 program expenses	18,593,425
Total 2014 program expenses under GASB 27	17,896,206
Increase in program expenses not related to pension	\$697,219

**Governmental Activities**

Property taxes increased due to increases in amounts available as an advance. Charges for sales and service increased primarily due to an increase in tuition and fees. Grants and entitlements not restricted to specific programs increased as a result of increased foundation payments. Operating grants and contributions increased due to the Straight A Funding program. Regular instruction decreased due to decreased compensated absences balances as of year end. Vocational instruction increased due to additional expenditures for vocational programs. Operation and maintenance of plant decreased due to a decrease of maintenance related items during the fiscal year. Operation of Non-Instructional Services increased due to the Straight A Funding program.

Unrestricted grants and entitlements comprised 53 percent of revenue for governmental activities of the Bethel-Tate Local School District for fiscal year 2015 and represent the largest source of revenue.

Property taxes comprised 20 percent of revenue for governmental activities of the School District for fiscal year 2015.

Operating grants and contributions and charges for services and sales comprised 15 percent and 11 percent of revenue for governmental activities, respectively, during 2015.

As indicated by governmental program expenses, total instruction is emphasized. Total instruction comprised 61 percent of governmental program expenses with support services comprising 28 percent of governmental expenses. The Board of Education relies on State revenues to support increased student achievement within the School District.

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

**Bethel-Tate Local School District**  
*Management's Discussion and Analysis*  
For the Fiscal Year Ended June 30, 2015  
(Unaudited)

Table 3  
Total and Net Cost of Program Services  
Governmental Activities

	2015		2014	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 11,250,933	\$ 8,752,765	\$ 11,057,177	\$ 8,774,247
Support Services	5,072,337	4,386,496	5,372,598	4,708,593
Operation of Non-Instructional Services	1,208,133	250,865	641,713	31,357
Extracurricular Activities	423,744	(48,233)	417,454	(29,377)
Interest and Fiscal Charges	368,650	350,336	378,314	364,314
Issuance Costs	-	-	28,950	28,950
<b>Total Expenses</b>	<b>\$ 18,323,797</b>	<b>\$ 13,692,229</b>	<b>\$ 17,896,206</b>	<b>\$ 13,878,084</b>

**THE SCHOOL DISTRICT'S FUNDS**

Information about the School District's major governmental funds begins on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$17,895,921 and expenditures and other financing uses of \$18,776,387. The net change in fund balance for the year was most significant in the Permanent Improvement Fund.

The fund balance of the General Fund decreased by \$208,512. This decrease is primarily due to expenditures exceeding revenues during the current year.

The fund balance of the Bond Retirement Fund increased by \$63,116. This increase was due to the payments for debt within the fund being lower than revenues.

The fund balance of the Permanent Improvement Fund decreased by \$593,119. This decrease was due to capital outlay expenditures for the year.

**General Fund Budgeting Highlights**

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

During 2015, there were revisions made to the General Fund budget. In part, the revisions increased revenues by \$329,999 primarily due to intergovernmental revenue. Actual revenues and other financing sources were below final estimates in the amount of \$26,217. The revisions to the General Fund budget decreased the appropriations by \$844,712. Final budgeted appropriations were \$1,144 above actual expenditures due to the School District maintaining tight fiscal control over expenditures. The School District's ending unobligated cash balance was \$1,483,270.

**Bethel-Tate Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

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**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of fiscal year 2015, the School District had \$21,963,068 invested in its capital assets. Table 4 shows the fiscal year 2015 balances compared to 2014.

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

	Governmental Activities	
	2015	2014
Land	\$ 1,117,851	\$ 1,117,851
Library Books	594,334	594,334
Construction in Progress	-	806,024
Land Improvements	739,215	789,803
Buildings and Improvements	18,602,683	18,155,116
Furniture and Equipment	468,920	532,451
Vehicles	347,830	268,320
Books	49,067	51,625
Infrastructure	43,168	50,386
	\$ 21,963,068	\$ 22,365,910

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



**Bethel-Tate Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*  
*(Unaudited)*

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**Debt**

At June 30, 2015, the School District had \$6,732,329 in bonds, capital leases and certificates of participation outstanding at fiscal year-end with \$535,055 due within one year. Table 5 summarizes the School District's outstanding debt:

Table 5  
 Outstanding Debt at Year End  
 Governmental Activities

	<u>2015</u>	<u>2014</u>
2000 Classroom Facilities Improvement - 5.73%	\$ -	\$ 255,000
2007 General Obligation Refunding Bonds - 3.7%-4.00%	2,525,000	2,590,000
Premium	143,765	167,725
2007 Capital Appreciation Bonds - 16.99%	150,000	150,000
Accretion on Capital Appreciation Bonds	445,509	351,347
2014 Energy Conservation General Obligation Bonds - 3.31%	<u>755,000</u>	<u>755,000</u>
 Total Long-Term Bonds	 4,019,274	 4,269,072
 Capital Leases	 701,055	 801,855
Certificate of Participation Payable	<u>2,012,000</u>	<u>2,075,000</u>
Total Long Term Debt	<u><u>\$ 6,732,329</u></u>	<u><u>\$ 7,145,927</u></u>

At June 30, 2015 the School District's overall legal debt margin was \$11,485,088 with an unvoted debt margin of \$165,723. For additional information regarding the debt of the School District, please see Note 11 to the Basic Financial Statements.

**CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT**

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

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**Bethel-Tate Local School District**  
*Statement of Net Position*  
*June 30, 2015*

	Governmental Activities
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 4,102,557
Accrued Interest Receivable	2,395
Accounts Receivable	67,136
Intergovernmental Receivable	96,012
Taxes Receivable	3,736,489
Noncurrent Assets:	
Restricted Cash and Cash Equivalents with Escrow Agents	41,878
Nondepreciable Capital Assets	1,712,185
Depreciable Capital Assets, Net	20,250,883
<i>Total Assets</i>	30,009,535
<b>Deferred Outflows of Resources</b>	
Pension:	
State Teachers Retirement System	1,045,250
School Employees Retirement System	318,994
<i>Total Deferred Outflows of Resources</i>	1,364,244
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	36,272
Accrued Wages and Benefits Payable	1,428,024
Contracts Payable	32,250
Intergovernmental Payable	351,919
Accrued Interest Payable	11,368
Noncurrent Liabilities:	
Due Within One Year	624,898
Due in More Than One Year	
Net Pension Liability (See Note 9)	18,421,522
Other Amounts Due in More Than One Year	6,979,531
<i>Total Liabilities</i>	27,885,784
<b>Deferred Inflows of Resources</b>	
Pensions:	
State Teachers Retirement System	2,878,715
School Employees Retirement System	554,884
Property Taxes not Levied to Finance Current Year Operations	2,873,089
<i>Total Deferred Inflows of Resources</i>	6,306,688
<b>Net Position</b>	
Net Investment in Capital Assets	15,706,126
Restricted for:	
Debt Service	1,452,011
Capital Outlay	342,399
Lunchroom Services	271,704
Other Purposes	295,615
Unrestricted	(20,886,548)
<i>Total Net Position</i>	\$ (2,818,693)

See accompanying notes to the basic financial statements.

**Bethel-Tate Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>				
Instruction:				
Regular	\$ 8,495,493	\$ 756,456	\$ 208,463	\$ (7,530,574)
Special	2,530,899	230,293	1,218,493	(1,082,113)
Vocational	81,377	7,382	3,088	(70,907)
Other	143,164	4,039	69,954	(69,171)
Support Services:				
Pupils	965,175	91,804	37,444	(835,927)
Instructional Staff	272,168	21,085	3,307	(247,776)
Board of Education	21,875	2,141	-	(19,734)
Administration	1,177,930	113,342	345	(1,064,243)
Fiscal	254,161	25,859	660	(227,642)
Operation and Maintenance of Plant	1,393,319	103,764	176,717	(1,112,838)
Pupil Transportation	915,539	81,148	21,869	(812,522)
Central	72,170	6,356	-	(65,814)
Operation of Non-Instructional Services	1,208,133	236,128	721,140	(250,865)
Extracurricular Activities	423,744	266,218	205,759	48,233
Interest and Fiscal Charges	368,650	18,314	-	(350,336)
<i>Total Governmental Activities</i>	\$ 18,323,797	\$ 1,964,329	\$ 2,667,239	(13,692,229)
<b>GENERAL REVENUES</b>				
Grants and Entitlements not Restricted to Specific Programs				9,377,544
Gifts and Donations not Restricted to Specific Programs				20,891
Investment Earnings				17,081
Miscellaneous				118,121
Property Taxes Levied for:				
General Purposes				3,052,143
Special Purposes				56,519
Debt Service				432,646
<i>Total General Revenues</i>				13,074,945
Change in Net Position				(617,284)
<i>Net Position Beginning of Year - As Restated, See Note 19</i>				(2,201,409)
<i>Net Position End of Year</i>				\$ (2,818,693)

See accompanying notes to the basic financial statements.

**Bethel-Tate Local School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2015*

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Equity in Pooled Cash and Investments	\$ 1,688,416	\$ 1,346,533	\$ 320,776	\$ 746,832	\$ 4,102,557
Accrued Interest Receivable	2,395	-	-	-	2,395
Accounts Receivable	67,136	-	-	-	67,136
Restricted Assets:					
Cash and Cash Equivalents with Escrow Agents	-	-	41,878	-	41,878
Intergovernmental Receivable	55,604	-	-	40,408	96,012
Taxes Receivable	3,214,123	462,492	-	59,874	3,736,489
<i>Total Assets</i>	<u>\$ 5,027,674</u>	<u>\$ 1,809,025</u>	<u>\$ 362,654</u>	<u>\$ 847,114</u>	<u>\$ 8,046,467</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 25,321	\$ -	\$ -	\$ 10,951	\$ 36,272
Accrued Wages and Benefits Payable	1,277,249	-	-	150,775	1,428,024
Contracts Payable	-	-	20,250	12,000	32,250
Intergovernmental Payable	322,000	-	-	29,919	351,919
<i>Total Liabilities</i>	<u>1,624,570</u>	<u>-</u>	<u>20,250</u>	<u>203,645</u>	<u>1,848,465</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property taxes not Levied to Finance Current Year Operations	2,469,637	357,014	-	46,438	2,873,089
Unavailable Revenue - Delinquent Taxes	74,686	9,978	-	1,336	86,000
Unavailable Revenue - Grants	-	-	-	32,559	32,559
<i>Total Deferred Inflows of Resources</i>	<u>2,544,323</u>	<u>366,992</u>	<u>-</u>	<u>80,333</u>	<u>2,991,648</u>
<b>FUND BALANCES</b>					
Restricted	-	1,442,033	342,404	605,731	2,390,168
Assigned	352,770	-	-	-	352,770
Unassigned	506,011	-	-	(42,595)	463,416
<i>Total Fund Balances</i>	<u>858,781</u>	<u>1,442,033</u>	<u>342,404</u>	<u>563,136</u>	<u>3,206,354</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 5,027,674</u>	<u>\$ 1,809,025</u>	<u>\$ 362,654</u>	<u>\$ 847,114</u>	<u>\$ 8,046,467</u>

See accompanying notes to the basic financial statements.

**Bethel-Tate Local School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Position of Governmental Activities  
 June 30, 2015*

<b>Total Governmental Fund Balances</b>		\$ 3,206,354
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.		21,963,068
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	86,000	
Intergovernmental	<u>32,559</u>	
Total		118,559
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.		
Deferred outflows of resources related to pensions	1,364,244	
Deferred inflows of resources related to pensions	(3,433,599)	
Net Pension Liability	<u>(18,421,522)</u>	
Total		(20,490,877)
Accrued interest payable on long-term debt is not reported in the funds.		(11,368)
Long-term liabilities , including bonds, certificates of participation, capital lease obligations, and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Capital Lease Obligations	(701,055)	
Compensated Absences	(872,100)	
Certificates of Participation	(2,012,000)	
General Obligation Refunding Bonds	(2,525,000)	
Capital Appreciation Bonds	(150,000)	
Accreted Debt from Capital Appreciation Bonds	(445,509)	
Premium from Refunding Bonds	(143,765)	
HB 264 Bonds	<u>(755,000)</u>	
Total		<u>(7,604,429)</u>
<b>Net Position of Governmental Activities</b>		<u><u>\$ (2,818,693)</u></u>

See accompanying notes to the basic financial statements.

**Bethel-Tate Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2015*

	General	Bond Retirement	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 3,061,425	\$ 433,549	\$ -	\$ 56,698	\$ 3,551,672
Intergovernmental	10,329,814	70,697	-	1,664,963	12,065,474
Interest	15,999	-	58	1,024	17,081
Tuition and Fees	1,392,643	-	-	-	1,392,643
Rent	8,575	-	-	-	8,575
Extracurricular Activities	68,238	-	-	192,276	260,514
Customer Sales and Services	79,546	-	-	223,051	302,597
Gifts and Donations	20,891	-	15,799	41,554	78,244
Miscellaneous	102,429	-	-	15,692	118,121
<i>Total Revenues</i>	<u>15,079,560</u>	<u>504,246</u>	<u>15,857</u>	<u>2,195,258</u>	<u>17,794,921</u>
<b>EXPENDITURES</b>					
Current:					
Instruction:					
Regular	7,563,729	-	-	307,676	7,871,405
Special	2,274,960	-	-	280,201	2,555,161
Vocational	73,580	-	-	-	73,580
Other	42,229	-	-	103,700	145,929
Support Services:					
Pupils	910,375	-	-	55,507	965,882
Instructional Staff	221,228	-	-	3,891	225,119
Board of Education	21,331	-	-	-	21,331
Administration	1,140,430	-	-	512	1,140,942
Fiscal	274,154	-	-	978	275,132
Operation and Maintenance of Plant	1,034,328	-	-	241,502	1,275,830
Pupil Transportation	809,589	-	-	32,418	842,007
Central	62,104	-	-	-	62,104
Operation of Non-Instructional Services	140,298	-	-	1,067,058	1,207,356
Extracurricular Activities	61,828	-	-	305,016	366,844
Capital Outlay	216,734	-	608,976	38,175	863,885
Debt Service:					
Principal	163,225	320,000	-	575	483,800
Interest and Fiscal Charges	178,950	121,130	-	-	300,080
<i>Total Expenditures</i>	<u>15,189,072</u>	<u>441,130</u>	<u>608,976</u>	<u>2,437,209</u>	<u>18,676,387</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(109,512)</u>	<u>63,116</u>	<u>(593,119)</u>	<u>(241,951)</u>	<u>(881,466)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	-	-	100,000	100,000
Proceeds from the Sale of Capital Assets	1,000	-	-	-	1,000
Transfers Out	(100,000)	-	-	-	(100,000)
<i>Total Other Financing Sources(Uses)</i>	<u>(99,000)</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>1,000</u>
<i>Net Change in Fund Balances</i>	<u>(208,512)</u>	<u>63,116</u>	<u>(593,119)</u>	<u>(141,951)</u>	<u>(880,466)</u>
<i>Fund Balances Beginning of Year</i>	<u>1,067,293</u>	<u>1,378,917</u>	<u>935,523</u>	<u>705,087</u>	<u>4,086,820</u>
<i>Fund Balances End of Year</i>	<u>\$ 858,781</u>	<u>\$ 1,442,033</u>	<u>\$ 342,404</u>	<u>\$ 563,136</u>	<u>\$ 3,206,354</u>

See accompanying notes to the basic financial statements.

**Bethel-Tate Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2015*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	(880,466)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period.		
Capital Asset Additions	921,412	
Current Year Depreciation	<u>(1,259,103)</u>	
Total		(337,691)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities a gain or loss is reported for each disposal.		
Proceeds from the Sale of Capital Assets	(1,000)	
Loss on Disposal of Capital Assets	<u>(64,151)</u>	
Total		(65,151)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(10,364)	
Intergovernmental	<u>(78,044)</u>	
Total		(88,408)
The amortization of premium from the sale of bonds is recorded as a reduction of liability in the statement of net position, but does not result in an expenditure in the governmental funds.		
		23,960
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,169,773
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		
		(894,166)
Repayment of bond principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.		
		320,000
Repayment of capital lease obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.		
		100,800
Repayment of certificate of participation obligations are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net position and does not result in an expense in the statement of activities.		
		63,000
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.		
Decrease in Compensated Absences	63,595	
Decrease in Interest Payable	1,632	
Increase in Accreted Debt	<u>(94,162)</u>	
Total		<u>(28,935)</u>
<b>Net Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>(617,284)</u></b>

See accompanying notes to the basic financial statements.



**Bethel-Tate Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*in Fund Balance - Budget and Actual*  
*(Budgetary Basis)*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2015*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget: Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes	\$3,260,746	\$3,061,425	\$3,061,425	\$0
Intergovernmental	10,096,039	10,152,767	10,152,645	(122)
Interest	8,600	11,714	11,445	(269)
Tuition and Fees	1,289,027	1,375,610	1,370,294	(5,316)
Miscellaneous	1,250	56,145	47,568	(8,577)
Total Revenues	<u>14,655,662</u>	<u>14,657,661</u>	<u>14,643,377</u>	<u>(14,284)</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	8,439,853	7,623,747	7,623,746	1
Special	2,325,807	2,315,366	2,315,367	(1)
Vocational	0	62,918	62,918	0
Other	18,333	39,603	59,601	(19,998)
<b>Support Services:</b>				
Pupils	650,850	905,767	905,630	137
Instructional Staff	535,080	255,715	255,714	1
Board of Education	11,876	21,414	21,413	1
Administration	1,007,287	1,173,632	1,151,286	22,346
Fiscal	391,302	294,553	293,878	675
Operation and Maintenance of Plant	1,350,326	1,074,158	1,076,157	(1,999)
Pupil Transportation	956,054	975,716	975,735	(19)
Central	66,912	64,059	64,059	0
Operation of Non-Instructional Services	64,654	125,115	125,115	0
<b>Debt Service:</b>				
Principal	93,000	93,000	93,000	0
Interest	166,493	166,493	166,493	0
Total Expenditures	<u>16,077,827</u>	<u>15,191,256</u>	<u>15,190,112</u>	<u>1,144</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,422,165)</u>	<u>(533,595)</u>	<u>(546,735)</u>	<u>(13,140)</u>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Sale of Capital Assets	0	1,000	1,000	0
Transfers In	0	50,528	38,595	(11,933)
Refund of Prior Year Expenditures	0	276,472	276,472	0
Proceeds from Sale of Bonds	0			0
Inception of Capital Lease	0			0
Transfers Out	(122,500)	(161,095)	(161,095)	0
Refund of Prior Year Receipts	0	(3,264)	(3,264)	0
Total Other Financing Sources and Uses	<u>(122,500)</u>	<u>163,641</u>	<u>151,708</u>	<u>(11,933)</u>
Net Change in Fund Balances	(1,544,665)	(369,954)	(395,027)	(25,073)
Fund Balance at Beginning of Year	1,777,564	1,777,564	1,777,564	0
Prior Year Encumbrances Appropriated	100,733	100,733	100,733	0
Fund Balance at End of Year	<u>\$333,632</u>	<u>\$1,508,343</u>	<u>\$1,483,270</u>	<u>(\$25,073)</u>

See accompanying notes to the basic financial statements.

**Bethel-Tate Local School District**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2015*

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	<u>Private Purpose Trust Fund</u>	<u>Agency Fund</u>
<b>ASSETS:</b>		
Equity in Pooled Cash and Investments	<u>\$ 1,718</u>	<u>\$ 34,811</u>
<b>LIABILITIES:</b>		
Undistributed Monies	<u>-</u>	<u>34,811</u>
<i>Total Liabilities</i>		<u>\$ 34,811</u>
<b>NET POSITION:</b>		
Held in Trust for Scholarships	<u>1,718</u>	
<i>Total Net Position</i>	<u>\$ 1,718</u>	

See accompanying notes to the basic financial statements.

**Bethel-Tate Local School District**  
*Statement of Changes in Fiduciary Net Position*  
*Fiduciary Fund*  
*For the Fiscal Year Ended June 30, 2015*

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	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Gifts and Contributions	<u>\$ 2,000</u>
<i>Total Additions</i>	2,000
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>1,698</u>
Change in Net Position	302
<i>Net Position Beginning of Year</i>	<u>1,416</u>
<i>Net Position End of Year</i>	<u><u>\$ 1,718</u></u>

See accompanying notes to the basic financial statements.

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**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established in the early 1800s through the consolidation of existing land areas and school districts. The School District serves an area of approximately 48.04 square miles. It is located in Clermont County, and includes the Village of Bethel and Tate Township. It is staffed by 81 non-certificated employees and administrative employees and 111 certificated full-time teaching personnel who provide services to 1,614 students and other community members. The School District currently operates 4 instructional buildings, 1 Central Office/Transportation Building, and 1 maintenance garage.

*Reporting Entity:*

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

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

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

- Boosters Clubs

The School District is associated with five organizations, three of which are defined as jointly governed organizations, one as a public entity shared risk pool, and one as an insurance purchasing pool. These organizations are the Hamilton/Clermont Cooperative Association/Unified Purchasing Association, the U.S. Grant Joint Vocational School, the Hamilton/Clermont Cooperative Association, the Clermont County Health Consortium, and the Sheakley Workers' Comp and Safety Group Retrospective Rating Plan. These organizations and the School District's participation are discussed in Notes 12, 13 and 14 to the Basic Financial Statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Accounting

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

Governmental Funds

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

General Fund

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

Bond Retirement Fund

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

Permanent Improvement Fund

The Permanent Improvement Fund is a capital projects fund used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705 of the Ohio Revised Code. The School District has elected to show this fund as a major fund.

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

Fiduciary Funds

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

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

Basis of Presentation

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

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Government-wide Financial Statements**

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

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

**Fund Financial Statements**

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

**Measurement Focus**

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

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

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

**Basis of Accounting**

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

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenues – Exchange and Non-exchange Transactions**

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

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

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

**Deferred Outflows and Deferred Inflows of Resources**

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

**Expenses/Expenditures**

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

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



**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budgetary Process**

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

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

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

**Cash and Investments**

Cash received by the School District is deposited into one of several bank accounts with individual fund balance integrity maintained. Balances of all funds are maintained in these accounts or are temporarily used to purchase certificates of deposit or investments. All investment earnings accrue to the General Fund except those specifically related to those funds deemed appropriate according to Board of Education policy. Interest earned amounted to \$17,081 in which \$15,999 was recorded in the General Fund, \$58 was recorded in the Permanent Improvement Fund, and \$1,024 was recorded in the other governmental funds.

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

The School District has \$41,878 in a separate bank account which is the unexpended proceeds from the capital lease (as more fully described in Note 11) which is recorded as "Restricted Cash and Cash Equivalents with Escrow Agents."

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets and Depreciation**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000.

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

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

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

**Compensated Absences**

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

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

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid. There were no matured compensated absences payable as of June 30, 2015.

**Accrued Liabilities and Long-Term Obligations**

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

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accrued Liabilities and Long-Term Obligations (Continued)**

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

**Interfund Balances**

Activity between funds that represent lending/borrowing arrangements outstanding at the end of the fiscal year, are referred to as either “due to/from other funds” or as “interfund receivable/payable.” All unpaid reimbursements between funds are report as “due to/from other funds.” These amounts are generally eliminated in the governmental activities column of the statement of net position. There were no interfund balances as of June 30, 2015.

**Net Position**

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

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

The government-wide statement of net position reports \$2,361,729 in restricted net position, none of which is restricted by enabling legislation.

**Interfund Transactions**

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

**Fund Balance**

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

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

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance (Continued)**

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

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

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

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

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

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents legally required to be set-aside by the School District for cash held with escrow agents for capital improvements.

**Estimates**

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

**Pensions**

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

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**NOTE 3 - BUDGET TO GAAP RECONCILIATION**

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

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

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

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

	Net Change in Fund Balance
GAAP Basis	\$(208,512)
Adjustments:	
Revenue Accruals	28,144
Expenditure Accruals	(113,029)
Perspective Difference:	
Activity of Funds Reclassed for GAAP Reporting Purposes	(5,616)
Encumbrances	(96,014)
Budget Basis	\$(395,027)

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)**

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

1. United States treasury notes, bills, bonds, or other obligations of or securities issued by the United States treasury or any other obligation guaranteed as to the payment of principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. Interim deposits in the eligible institutions applying for interim money as provided in section 135.08 of the Revised Code;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper notes issued by any entity that is defined in division (D) of section 1705.01 of the Revised Code and has assets exceeding five hundred million dollars, and to which notes are rated at the time of purchase in the highest classification established by at least two standard rating services; the aggregate value of the notes does not exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; the notes mature no later than one hundred eighty days after purchase; and
9. Bankers' acceptances of banks that are members of the federal deposit insurance corporation to which obligations both the following apply: obligations are eligible for purchase by the Federal Reserve System and the obligations mature no later than one hundred eighty days after purchase.

Protection of the School 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 money deposited with the institution.

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

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)**

Investments may only be made through specified dealers and institutions. Payment for investments may be made to the treasurer or qualified trustee only upon delivery of the securities representing the investments or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits** Custodial credit risk is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. According to state law, public depositories must give security for all public funds on deposit in excess of those funds that are insured by the Federal Deposit Insurance Corporation (FDIC) or by any other agency or instrumentality of the federal government. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. The School District’s policy is to deposit money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

As of June 30, 2015, the School District’s bank balance of \$2,693,158 was either covered by FDIC or collateralized by the financial institution’s public entity deposit pool in the manner described above.

**Investments** At June 30, 2015, the School District had the following investments:

Investment Type	Fair Value	Less Than One Year	1-2 Years	3-5 Years
Money Market Funds	\$46,045	\$46,048	\$-	\$-
FHLB Notes	99,961	99,961	-	-
FNMA Notes	624,429	245,417	-	379,012
FHLMC Bonds	930,165	245,116	119,838	565,212
US Treasury Bill	55,026	55,026	-	-
<b>Total</b>	<b>\$1,755,628</b>	<b>\$691,567</b>	<b>\$119,838</b>	<b>\$944,224</b>

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

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District’s policy places limitations on the types of investments the School District may invest in. The School District’s policy authorizes investment in allowable securities as outlined in Ohio Revised Code Section 135. The School District’s investments in FHLB, FNMA, and FHLMC were each rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. The Money Market Funds were rated AAAM by Standard & Poor’s. The US Treasury Bill has been rated Aaa by Standard & Poor’s.

**Concentration of Credit Risk.** The School District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of total of each investment type held by the School District at June 30, 2015:

Investment Type	Fair Value	% of Total
Money Market Funds	\$46,045	2.6%
FHLB Notes	99,961	5.7%
FNMA Notes	624,429	35.6%
FHLMC Bonds	930,165	53.0%
US Treasury Bill	55,026	3.1%
<b>Total</b>	<b>\$1,755,628</b>	<b>100.0%</b>

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**NOTE 4 – DEPOSITS AND INVESTMENTS (Continued)**

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

**NOTE 5 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2015 represents collections 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 thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014, and are collected in 2015 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Clermont and Brown Counties. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2015. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2015, was \$645,700 in the General Fund, \$95,500 in the Debt Service Fund, and \$12,100 in Other Governmental Funds.

The assessed values upon which fiscal year 2015 taxes were collected are:

	2014 Second- Half Collections		2015 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 151,961,020	96.93%	\$ 160,650,790	96.94%
Public Utility	4,815,740	3.07%	5,072,410	3.06%
Total Assessed Value	<u>\$ 156,776,760</u>	<u>100.00%</u>	<u>\$ 165,723,200</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 36.86		\$ 36.86	



**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 6 - RECEIVABLES**

Receivables at June 30, 2015, consisted of accounts, property taxes, interest, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Receivable Amount
Major Fund:	
General Fund	\$55,604
Non-major Special Revenue Funds:	
Lunchroom	3,638
Title VI B	10,910
Title I	25,860
Total Non-major Special Revenue Funds	40,408
Total Receivable	\$96,012

**NOTE 7 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the School District contracted with Catlin Indemnity Company for coverage for liability, real property, building and contents, and vehicles. Vehicles policies include liability coverage for bodily injury and property damage. Coverage provided is as follows:

Building and Contents-replacement cost (\$1,000 deductible)	\$46,753,592
Automobile Liability (No deductible)	1,000,000
Uninsured Motorists (No deductible)	1,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

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

For fiscal year 2015, the School District participated in the Sheakley Workers' Compensation and Safety Group Retrospective Rating Plan (Plan), an insurance purchasing pool (Note 14). The intent of the GRP is to reward participants that are able to keep their claims cost low. School districts continue to pay their individual premium directly to the Ohio Bureau of Workers' Compensation (BWC). School districts will then have future premium adjustments (refunds or assessments) at the end of each of the three evaluation periods. For the 2015 Plan, the evaluation periods will be January 2017, January 2018 and January 2019. Refunds or assessments will be calculated by the Ohio BWC, based on the pro-rata share of the districts individual premium compared to the overall Plan premium.

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

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**NOTE 7 - RISK MANAGEMENT (Continued)**

The School District is a member of the Clermont County Health Consortium, a public entity shared risk pool (Note 13), consisting of a number of school districts and an educational service center within the County offering health, dental, life and/or other insurance benefits to their employees. During fiscal year 2015, monthly premiums were paid to the Clermont County Health Consortium, who paid the claims on the School District's behalf. Monthly premiums are paid to the Clermont County Educational Service Center, as fiscal agent for the Clermont County Health Consortium, who in turns pays the claims on the School District's behalf. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, the School District shall have no obligation under the plan beyond paying a withdrawal fee in an amount equal to two months' premiums at the School District's then current rates. However, notification of termination from the Consortium must be at least one hundred eighty days prior to the July 1 anniversary date of the Consortium's health plan. Any claims and expenses through the anniversary date of the Consortium's health plan shall be paid from the funds of the Consortium.

**NOTE 8 – CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2015, was as follows:

	Ending Balance 06/30/14	Additions	Deletions	Ending Balance 06/30/15
Governmental Activities				
Capital Assets, Not Being Depreciated				
Library Books	\$ 594,334	\$ -	\$ -	\$ 594,334
Land	1,117,851	-	-	1,117,851
Construction in Progress	806,024	-	(806,024)	-
Total Capital Assets, Not Being Depreciated	<u>2,518,209</u>	<u>-</u>	<u>(806,024)</u>	<u>1,712,185</u>
Capital Assets Being Depreciated				
Land Improvements	1,541,617	1,386	(90,803)	1,452,200
Buildings and Improvements	36,658,452	1,505,327	(140,758)	38,023,021
Furniture and Equipment	2,985,557	63,615	(13,984)	3,035,188
Vehicles	955,748	157,108	-	1,112,856
Books	142,777	-	-	142,777
Infrastructure	128,103	-	-	128,103
Total Capital Assets, Being Depreciated	<u>42,412,254</u>	<u>1,727,436</u>	<u>(245,545)</u>	<u>43,894,145</u>
Less Accumulated Depreciation:				
Land Improvements	(751,814)	(51,974)	90,803	(712,985)
Buildings and Improvements	(18,503,336)	(992,735)	75,733	(19,420,338)
Furniture and Equipment	(2,453,106)	(127,020)	13,858	(2,566,268)
Vehicles	(687,428)	(77,598)	-	(765,026)
Books	(91,152)	(2,558)	-	(93,710)
Infrastructure	(77,717)	(7,218)	-	(84,935)
Total Accumulated Depreciation	<u>(22,564,553)</u>	<u>(1,259,103)</u>	<u>180,394</u>	<u>(23,643,262)</u>
Total Capital Assets Being Depreciated, Net	<u>19,847,701</u>	<u>468,333</u>	<u>(65,151)</u>	<u>20,250,883</u>
Governmental Activities Capital Assets, Net	<u>\$ 22,365,910</u>	<u>\$ 468,333</u>	<u>\$ (871,175)</u>	<u>\$ 21,963,068</u>

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 8 – CAPITAL ASSETS (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 820,588
Special	506
Vocational	9,251
Support Services:	
Pupils	12,646
Instructional Staff	61,241
Board of Education	952
Administration	37,882
Fiscal	519
Operation and Maintenance of Plant	140,892
Pupil Transportation	90,225
Central	10,066
Operation of Non-Instructional Services	11,343
Extracurricular Activities	62,992
Total Depreciation Expense	<u>\$ 1,259,103</u>

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

**Net Pension Liability**

For fiscal year 2015, 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” were effective. These GASB pronouncements had a significant effect on beginning net position as reported June 30, 2014, as more fully described in Note 19. The net pension liability has been disclosed below.

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

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

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

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

**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](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 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 \$252,652 for fiscal year 2015. Of this amount \$22,024 is reported as an intergovernmental payable.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

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

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

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

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

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

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)**

**Plan Description - State Teachers Retirement System (STRS) (continued)**

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 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 Ohio was \$911,142 for fiscal year 2015. Of this amount \$165,316 is reported as an intergovernmental payable.

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

The net pension liability reported as of June 30, 2015 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 projected contributions of all participating entities. Following is information related to the proportionate share as well as the pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,418,819	\$15,002,703	\$18,421,522
Proportion of the Net Pension Liability	0.067553%	0.06167997%	
Pension Expense	\$201,055	\$693,111	\$894,166

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)**

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

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

<b>Deferred Outflows of Resources</b>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between expected and actual economic experience	\$29,098	\$144,434	\$173,532
Differences between School District contributions and proportionate share of contributions	20,939	-	20,939
School District contributions subsequent to the measurement date	<u>268,957</u>	<u>900,816</u>	<u>1,169,773</u>
Total	<u>\$318,994</u>	<u>\$1,045,250</u>	<u>\$1,364,244</u>

<b>Deferred Inflows of Resources</b>	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Differences between projected and actual investment earnings	\$554,884	\$2,775,557	\$3,330,441
Differences between School District contributions and proportionate share of contributions	<u>0</u>	<u>103,158</u>	<u>103,158</u>
Total	<u>\$554,884</u>	<u>\$2,878,715</u>	<u>\$3,433,599</u>

\$1,169,773 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:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2016	(\$126,212)	(\$683,570)	(\$809,782)
2017	(126,212)	(683,570)	(809,782)
2018	(126,212)	(683,570)	(809,782)
2019	<u>(126,211)</u>	<u>(683,571)</u>	<u>(809,782)</u>
Total	<u>(\$504,847)</u>	<u>(\$2,734,281)</u>	<u>(\$3,239,128)</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.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)**

**Actuarial Assumptions - SERS (continued)**

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 net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement. The most recent experience study was completed June 30, 2010.

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

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



**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)**

**Actuarial Assumptions - SERS (continued)**

**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.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$4,877,639	\$3,418,819	\$2,191,825

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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above.

Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

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

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**NOTE 9 - DEFINED BENEFIT PENSION PLANS (Continued)**

**Actuarial Assumptions – STRS (continued)**

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

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

**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.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$21,478,006	\$15,002,703	\$9,526,777

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2015, none of the members of the Board of Education had elected Social Security. The Board's liability is 6.2 percent of wages paid.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**State Teachers Retirement System**

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

Funding Policy – Ohio Revised Code Chapter 3307 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. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$63,633, and \$66,534 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**School Employees Retirement System**

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers one postemployment benefit plan.

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District's surcharge obligation was \$34,222.

The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$16,734, \$36,184, and \$23,707, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**NOTE 11 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2015 were as follows:

	Principal Outstanding 06/30/14*	Additions	Deductions	Principal Outstanding 06/30/15	Due in One Year
2000 Classroom Facilities					
Improvement Bonds 5.73%	\$ 255,000	\$ -	\$ 255,000	\$ -	\$ -
2007 General Obligation Refunding					
Bonds 3.70%-4.00%	2,590,000	-	65,000	2,525,000	-
Premium	167,725	-	23,960	143,765	-
Capital Appreciation Bonds 16.99%	150,000	-	-	150,000	80,000
Accretion on Capital Appreciation Bonds	351,347	94,162	-	445,509	270,000
2014 Energy Conservation					
General Obligation Bonds 3.31%	755,000	-	-	755,000	43,000
Total Long-Term Bonds	<u>4,269,072</u>	<u>94,162</u>	<u>343,960</u>	<u>4,019,274</u>	<u>393,000</u>
Net Pension Liability					
STRS	17,871,122	-	2,868,419	15,002,703	-
SERS	4,017,160	-	598,341	3,418,819	-
Total Net Pension Liability	<u>21,888,282</u>	<u>-</u>	<u>3,466,760</u>	<u>18,421,522</u>	<u>-</u>
Capital Leases	801,855	-	100,800	701,055	76,055
Certificate of Participation Payable	2,075,000	-	63,000	2,012,000	66,000
Compensated Absences	935,695	563,120	626,715	872,100	89,843
Total Long-Term Obligations	<u>\$29,969,904</u>	<u>\$ 657,282</u>	<u>\$ 4,601,235</u>	<u>\$26,025,951</u>	<u>\$ 624,898</u>

\* As restated, see Note 19.

*Classroom Facilities Improvement Bonds* - On April 1, 2000, Bethel-Tate Local School District issued \$6,075,500 in unvoted general obligation bonds for the purpose of purchasing land, building a gym, and classroom improvements. The bonds were issued for a twenty-two year period with a final maturity during fiscal year 2023. During fiscal year 2007, a portion of these bonds were refunded. The bonds are being retired from the debt service fund.

*General Obligation Refunding Bonds* - On August 30, 2006, Bethel-Tate Local School District issued \$3,175,000 in refunding bonds for the purpose of repaying a portion of the classroom facilities improvement bonds issued in 2000. The refunding bonds consisted of \$3,025,000 in current interest bonds and \$150,000 in capital appreciation bonds. The interest bonds were issued for a fifteen year period with a final maturity in December 2022. The current interest bonds are being retired from the debt service funds. The capital appreciation bonds will mature in 2016 and 2017 and will be retired from the debt service fund.

The serial bonds, issued at \$3,025,000 maturing on or after December 1, 2017, are subject to optional redemption, in whole or in part on any date at the option of the Issuer on or after June 1, 2017 at par, which is 100% of the face value of the Current Interest Refunding Bonds.

The capital appreciation bonds, issued at \$150,000, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2016 and 2017. The maturity amount of the capital appreciation bonds is \$705,000. For fiscal year 2015, the capital appreciation bonds were accreted \$94,162. Total accretion as of June 30, 2015 was \$445,509.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**NOTE 11 - LONG-TERM OBLIGATIONS (Continued)**

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

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2015, are as follows:

Fiscal Year Ending June 30,	2007 Capital Appreciation Principal	2007 Current Interest Bonds Principal	2007 Current Interest Bonds Interest
2016	\$350,000	\$0	\$104,025
2017	355,000	0	104,005
2018	0	365,000	96,269
2019	0	405,000	79,906
2020	0	440,000	61,950
2021-2023	0	1,315,000	72,700
Total	<u>\$705,000</u>	<u>\$2,525,000</u>	<u>\$518,855</u>

The above amortization schedule for the 2007 Capital Appreciation Bonds does not agree with the amount outstanding on the previous page due to accretion of such bonds.

Fiscal Year Ending June 30,	2014 Energy Conservation Principal	2014 Energy Conservation Interest
2016	\$43,000	\$24,279
2017	45,000	22,822
2018	46,000	21,316
2019	48,000	19,761
2020	49,000	18,155
2021-2025	272,000	64,777
2026-2029	252,000	17,014
Total	<u>\$755,000</u>	<u>\$188,124</u>

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**NOTE 11 - LONG-TERM OBLIGATIONS (Continued)**

**Capital Lease Obligation**

During previous fiscal years, the School District entered into capital leases for copiers and a postage machine. During prior fiscal years, the lease was upgraded as more equipment was added. These leases meet the criteria of a capital lease as defined by the Accounting Principles Generally Accepted in the United States of America, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. The capital lease payments for all these leases will be classified as debt service in the General Fund in the fund financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis. The capital assets acquired by the leases have been capitalized in the statement of net position for governmental activities in the amount of \$1,076,396. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net position for governmental activities. Principal payments in fiscal year 2015 totaled \$100,800. For the leased assets related to the Governmental Funds, a portion of the capital assets acquired by the lease have been capitalized in the government wide financial statements. The lease obligations are being repaid from the General Fund.

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

The School District's future minimum lease payments under capital lease obligations for Governmental Activities as of June 30, 2015 are as follows:f./

Fiscal Year Ending June 30,	Payments
2016	\$100,660
2017	56,323
2018	55,095
2019	58,779
2020	57,374
2021-2025	294,232
2026-2029	<u>262,989</u>
	885,452
Less: Interest	<u>(184,397)</u>
Present Value of Minimum Lease Payments	<u><u>\$701,055</u></u>

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**NOTE 11 - LONG-TERM OBLIGATIONS (Continued)**

**Certificates of Participation**

In previous fiscal years, the School District entered into certificates of participation to finance a variety of projects including a portion of the classroom facilities project, as well as, several other construction projects, the acquisition of new school buses, computers and computer related software, and for the construction of a new transportation facility. During fiscal year 2006 and 2007, the School District entered into certificates of participation to finance the construction of a new Central Office/Transportation Building. The School District is leasing the projects from Columbus Regional Airport Authority. Columbus Regional Airport Authority will retain title to the project during the certificate term. Columbus Regional Airport Authority has assigned US Bank as trustee. US Bank deposited \$511,000 in the School District's name with an escrow agent for the construction of the facility. Amounts were paid to contractors by the School District as the work progressed. The School District is making semi-annual payments to US Bank. Principal payments in fiscal year 2015 totaled \$63,000 in the governmental funds. This debt is being repaid from the General Fund.

The following table represents the payments required on the Certificate of Participation for the amount outstanding at June 30, 2015:

Fiscal Year Ending June 30:	Principal	Interest	Total
2016	\$66,000	\$104,917	\$170,917
2017	70,000	101,416	171,416
2018	73,000	97,756	170,756
2019	76,000	93,880	169,880
2020	80,000	89,788	169,788
2021-2025	470,000	379,136	849,136
2026-2030	607,000	238,213	845,213
2031-2035	451,000	74,161	525,161
2036-2037	119,000	5,448	124,448
Total	<u>\$2,012,000</u>	<u>\$1,184,715</u>	<u>\$3,196,715</u>

The School District's voted legal debt margin was \$11,485,088 with an unvoted debt margin of \$165,723 at June 30, 2015.

**NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS**

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

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

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS (Continued)**

*Hamilton/Clermont Cooperative Association* - The School District is a participant in the Hamilton/Clermont Cooperative Association (H/CCA) which is a computer consortium. H/CCA is an association of 37 public school districts within the boundaries of Hamilton and Clermont Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of H/CCA consists of the superintendents and/or treasurers of the participating members. H/CCA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. The School District paid H/CCA \$106,316 for services provided during the year. Financial information can be obtained from the H/CCA of Boards of Education, Tom Collins, Executive Director, at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

**NOTE 13 - PUBLIC ENTITY SHARED RISK POOL**

*Clermont County Health Consortium* - The School District is a member of the Clermont County Health Consortium, a public entity shared risk pool. A number of Clermont County school districts and the Clermont County Educational Service Center have entered into an agreement to form the Clermont County Health Consortium. The overall objectives of the Consortium are to formulate and administer a program of health, dental, life and/or other insurance benefits for the Consortium members' employees and their dependents. The Consortium's business and affairs are managed by a Board of Directors, consisting of the superintendents (or their designee) from each of the participating school districts and the educational service center.

The School District pays premiums based on what the Consortium estimates will cover the costs of all claims for which the Consortium is obligated. If the School District's claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund. The Consortium views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information, write to the current fiscal agent, Clermont County Educational Service Center at 2400 Clermont Center Drive, Suite 100, Batavia, Ohio 45103.

**NOTE 14 – INSURANCE PURCHASING POOLS**

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

**NOTE 15 - CONTINGENCIES**

**Litigation**

The School District is not party to legal proceedings.

**Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.



**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**NOTE 15 – CONTINGENCIES (Continued)**

**Foundation**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

**NOTE 16 -STATUTORY RESERVES**

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

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

	Capital Maintenance Reserve
Set Aside Reserve Balance June 30, 2014	\$0
Required Set-Aside	291,516
Current Year Offset	(121,091)
Current Year Qualifying Expenditures	(170,425)
Total	\$0
Balance Carried Forward to Fiscal Year 2016	\$0
Set Aside Reserve Balance June 30, 2015	\$0

The carryover amount in the Capital Acquisition Reserve is limited to the balance of the offsets attributed to bond or tax levy proceeds. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$220,673 at June 30, 2015.

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

**NOTE 17 – INTERFUND ACTIVITY**

**Interfund Transfers**

Transfers made during the year ended June 30, 2015, were as follows:

Fund	Transfer From	Transfer To
<i>Major Fund</i>		
General	\$100,000	\$0
<i>Non-Major Fund</i>		
District Managed Student Activities	0	100,000
Total Non-Major Fund	0	100,000
 Total	 \$100,000	 \$100,000

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

**NOTE 18 – ACCOUNTABILITY**

At June 30, 2015, the Title VI-B, Title I and Reducing Class Size Funds had fund balance deficits of \$7,722, \$25,428, and \$9,445, respectively which were created by the application of accounting principles generally accepted in the United States of America. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES**

For 2015, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No.27” and GASB Statement No. 71 “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.”

Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

Statement No. 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

The impact of the application of Statement No. 68 and Statement No. 71 had the following effect on beginning net position.

Net position, July 1, 2014-As previously stated	\$18,565,075
School District Share of Beginning Plan Net Pension Liability	(21,888,282)
School District Share of 2014 Employer Contributions	1,121,798
Net position, July 1, 2014-As restated	\$ (2,201,409)

**Bethel-Tate Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2015

**NOTE 20 – FUND BALANCES**

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

Fund Balances	General	Bond Retirement	Permanent Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>Restricted for</b>					
Food Service Operations	\$0	\$0	\$0	\$296,538	\$296,538
Other Purposes	0	0	0	72,616	72,616
Athletics	0	0	0	121,955	121,955
Capital Improvements	0	0	342,404	0	342,404
Debt Services Payments	0	1,442,033	0	0	1,442,033
Classroom Maintenance	0	0	0	114,622	114,622
Total Restricted	<u>0</u>	<u>1,442,033</u>	<u>342,404</u>	<u>605,731</u>	<u>2,390,168</u>
<b>Assigned to</b>					
FY15 Appropriations in excess of Estimated Receipts	154,651	0	0	0	154,651
Other Purposes	198,119	0	0	0	198,119
Total Assigned	<u>352,770</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>352,770</u>
<b>Unassigned (Deficit)</b>	<u>506,011</u>	<u>0</u>	<u>0</u>	<u>(42,595)</u>	<u>463,416</u>
Total Fund Balances	<u>\$858,781</u>	<u>\$1,442,033</u>	<u>\$342,404</u>	<u>\$563,136</u>	<u>\$3,206,354</u>

**Bethel Tate Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*School Employees Retirement System of Ohio*  
*Last Two Years*

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	<b>2014</b>	<b>2013</b>
Total plan pension liability	\$ 17,881,827,171	\$ 17,247,161,078
Plan net position	12,820,884,107	11,300,482,029
Net pension liability	5,060,943,064	5,946,679,049
School District's proportion of the net pension liability	0.067553%	0.067553%
School District's proportionate share of the net pension liability	\$ 3,418,819	\$ 4,017,160
School District's covered-employee payroll	\$ 2,064,226	\$ 2,011,770
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.60%	199.70%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.50%

**Bethel Tate Local School District**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*State Teachers Retirement System of Ohio*  
*Last Two Years*

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	<u>2014</u>	<u>2013</u>
Total plan pension liability	\$ 96,167,057,104	\$ 94,366,693,720
Plan net position	<u>71,843,596,331</u>	<u>65,392,746,348</u>
Net pension liability	24,323,460,773	28,973,947,372
School District's proportion of the net pension liability	0.06167997%	0.06167997%
School District's proportionate share of the net pension liability	\$ 15,002,703	\$ 17,871,122
School District's covered-employee payroll	\$ 6,302,177	\$ 7,165,200
School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	238.10%	249.40%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 252,652	\$ 272,065	\$ 278,429	\$ 244,745	\$ 293,724	\$ 247,185	\$ 250,571	\$ 190,397	\$ 188,821	\$ 234,849
Contributions in relation to the contractually required contribution	<u>(252,652)</u>	<u>(272,065)</u>	<u>(278,429)</u>	<u>(244,745)</u>	<u>(293,724)</u>	<u>(247,185)</u>	<u>(250,571)</u>	<u>(190,397)</u>	<u>(188,821)</u>	<u>(234,849)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$1,822,886	\$2,064,226	\$2,011,770	\$1,819,665	\$2,336,706	\$1,825,591	\$2,546,453	\$1,938,870	\$1,767,987	\$2,219,745
Contributions as a percentage of covered employee payroll	13.86%	13.18%	13.84%	13.45%	12.57%	13.54%	9.84%	9.82%	10.68%	10.58%

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Contractually required contribution	\$ 911,142	\$ 819,283	\$ 931,476	\$ 800,646	\$ 844,515	\$ 942,349	\$ 978,586	\$ 923,762	\$ 923,857	\$ 866,684
Contributions in relation to the contractually required contribution	<u>(911,142)</u>	<u>(819,283)</u>	<u>(931,476)</u>	<u>(800,646)</u>	<u>(844,515)</u>	<u>(942,349)</u>	<u>(978,586)</u>	<u>(923,762)</u>	<u>(923,857)</u>	<u>(866,684)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District covered-employee payroll	\$ 6,508,157	\$ 6,302,177	\$ 7,165,200	\$ 6,158,815	\$ 6,496,269	\$ 7,248,838	\$ 7,527,585	\$ 7,105,862	\$ 7,106,592	\$ 6,666,800
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

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BETHEL-TATE LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
YEAR ENDED JUNE 30, 2015

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
<b>Child Nutrition Cluster:</b>						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	N/A	10.555	\$0	\$43,861	\$0	\$43,861
Cash Assistance:						
National School Lunch Program	3L60	10.555	273,698	0	273,698	0
National School Breakfast Program	3L70	10.553	56,006	0	56,006	0
Total Child Nutrition Cluster			<u>329,704</u>	<u>43,861</u>	<u>329,704</u>	<u>43,861</u>
<b>Total U.S. Department of Agriculture</b>			<u><b>329,704</b></u>	<u><b>43,861</b></u>	<u><b>329,704</b></u>	<u><b>43,861</b></u>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
<b>Special Education Cluster:</b>						
Special Education Grants to States (IDEA part B)	3M20	84.027	332,111	0	337,864	0
IDEA Preschool Grant	3C50	84.173	2,662	0	2,662	0
Total Special Education Cluster			<u>334,773</u>	<u>0</u>	<u>340,526</u>	<u>0</u>
Grants to Local Educational Agencies (Title I)	3M00	84.010	343,696	0	342,173	0
Title II-A - Improving Teacher Quality State Grants	3Y60	84.367	53,231	0	52,525	0
<i>Passed Through Hamilton County ESC</i>						
Title III - LEP English Language Acquisition	3Y70	84.365	365	0	147	0
<b>Total U.S. Department of Education</b>			<u><b>732,065</b></u>	<u><b>0</b></u>	<u><b>735,371</b></u>	<u><b>0</b></u>
<b>Totals</b>			<u><b>\$1,061,769</b></u>	<u><b>\$43,861</b></u>	<u><b>\$1,065,075</b></u>	<u><b>\$43,861</b></u>

The accompanying notes to this schedule are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2015**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Bethel-Tate Local School District (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bethel-Tate Local School District, Clermont County, (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 29, 2016, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

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

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2015-001.

***Purpose of this Report***

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



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 29, 2016



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### ***Report on Compliance for the Major Federal Program***

We have audited the Bethel-Tate Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Bethel-Tate Local School District's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal program.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

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

Our responsibility is to opine on the District's compliance for the District's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on the Major Federal Program***

In our opinion, the Bethel-Tate Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

**Report on Internal Control Over Compliance**

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

March 29, 2016

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2015**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster CFDA 10.553 and 10.555
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: > \$100,000
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2015-001**

**Material Noncompliance**

**Ohio Rev. Code, § 5705.39**, provides, in part, that total appropriations from each fund shall not exceed the total estimated resources as certified by the budget commission.

The following fund had appropriations in excess of the estimated resources available for expenditure as certified by the budget commission:

<b>Fund</b>	<b>Appropriations</b>	<b>Estimated Resources</b>	<b>Variance</b>
Permanent Improvement	\$848,063	\$300,524	(\$547,539)

Allowing appropriations to exceed amounts certified as available can result in overspending and deficit fund balances.

The District should routinely compare appropriations to the estimated resources available for expenditure as certified by the budget commission for each fund to ensure compliance with the Ohio Revised Code.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None noted





# Dave Yost • Auditor of State

**BETHEI-TATE LOCAL SCHOOL DISTRICT**

**CLERMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 12, 2016**