



OHIO AUDITOR OF STATE
KEITH FABER



**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY
JUNE 30, 2018**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis	15
Statement of Activities – Cash Basis	16
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis – Governmental Funds	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities – Cash Basis	18
Statement of Receipts, Disbursements, and Changes in Fund Balances – Cash Basis – Governmental Funds.....	19
Reconciliation of the Statement of Receipts, Disbursements, and Changes in Fund Balances of Governmental Funds to the Statement of Activities – Cash Basis	20
Statement of Receipts, Disbursements, and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis)	
General Fund	21
Classroom Facilities Maintenance Fund	22
Statement of Fund Net Position – Cash Basis – Proprietary Fund	23
Statement of Receipts, Disbursements, and Change in Net Position - Cash Basis – Proprietary Fund	24
Statement of Fiduciary Net Position – Cash Basis Fiduciary Funds	25
Statement of Change in Fiduciary Net Position – Cash Basis – Fiduciary Fund	26
Notes to the Basic Financial Statements	27
Schedule of Receipts and Expenditures of Federal Awards	65
Notes to the Schedule of Receipts and Expenditures of Federal Awards	66
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	67

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY
JUNE 30, 2018**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	69
Schedule of Findings.....	71
Prepared by Management:	
Summary Schedule of Prior Audit Findings	73
Corrective Action Plan	74

OHIO AUDITOR OF STATE KEITH FABER



INDEPENDENT AUDITOR'S REPORT

Bellefontaine City School District
Logan County
820 Ludlow Road
Bellefontaine, Ohio 43311

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellefontaine City School District, Logan County, Ohio (the School District), as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellefontaine City School District, Logan County, Ohio, as of June 30, 2018, and the respective changes in cash financial position and the respective budgetary comparison for the General and Classroom Facilities Maintenance Funds thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Matters

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

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

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

Other Information

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2019, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

April 24, 2019

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**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

The management's discussion and analysis of the Bellefontaine City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2018, within the limitations of the School District's cash basis of accounting. 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 cash-basis financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- The total net cash position of the School District decreased \$1,241,204 or 8.48% from fiscal year 2017.
- General cash receipts accounted for \$22,766,124 or 77.43% of total governmental activities cash receipts. Program specific cash receipts accounted for \$6,637,716 or 22.57% of total governmental activities cash receipts.
- The School District had \$30,645,044 in cash disbursements related to governmental activities; \$6,637,716 of these cash disbursements were offset by program specific charges for services, grants or contributions.
- The School District's major funds are the General Fund, Classroom Facilities Maintenance Fund and Bond Retirement Fund.

Using this Annual Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the School District's cash basis of accounting.

The Statement of Net Position - Cash Basis and Statement of Activities - Cash Basis provide information about the activities of the whole School District, presenting an aggregate view of the School District's cash basis 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 what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, there are three major governmental funds.

Reporting the School District as a Whole

Statement of Net Position - Cash Basis and the Statement of Activities - Cash Basis

The Statement of Net Position - Cash Basis and Statement of Activities - Cash Basis answer the question, "How did we do financially during 2018?" These statements include *only net position* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(CONTINUED)

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the Statement of Net Position - Cash Basis and Statement of Activities - Cash Basis the governmental activities include School District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The Statement of Net Position - Cash Basis and Statement of Activities - Cash Basis can be found on pages 15-16 of this report.

Reporting the School District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Classroom Facilities Maintenance Fund and the Bond Retirement Fund. The analysis of the School District's major governmental funds begins on page 11.

Governmental Funds

Most of the 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 cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. The governmental fund statements can be found on pages 17-22 of this report.

Proprietary Fund

The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its health insurance benefits. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(CONTINUED)

The School District's only fiduciary funds are a private-purpose trust fund and an agency fund. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position cash basis and changes in fiduciary net position cash basis on pages 25-26. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-64 of this report.

Government-Wide Financial Analysis

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

The table below provides a summary of the School District's net cash position at June 30, 2018 and June 30, 2017.

	Governmental Activities 2018	Governmental Activities 2017
	<u> </u>	<u> </u>
Assets		
Equity in pooled cash and investments	\$ 13,391,826	\$ 14,633,030
Total assets	<u>13,391,826</u>	<u>14,633,030</u>
Net Cash Position		
Restricted	3,761,662	3,880,285
Unrestricted	<u>9,630,164</u>	<u>10,752,745</u>
Total net cash position	<u>\$ 13,391,826</u>	<u>\$ 14,633,030</u>

The total net cash position of the School District decreased \$1,241,204 which represents an 8.48% decrease from fiscal year 2017. The balance of government-wide unrestricted net cash position of \$9,630,164 may be used to meet the government's ongoing obligations to citizens and creditors.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(CONTINUED)

The table below shows the changes in net cash position for fiscal year 2018 and 2017.

	Change in Net Cash Position	
	Governmental	Governmental
	Activities 2018	Activities 2017
	<u>2018</u>	<u>2017</u>
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 1,770,209	\$ 1,717,748
Operating grants, contributions and interest	4,863,007	5,024,965
Capital grants, contributions and interest	<u>4,500</u>	<u>136,840</u>
Total program cash receipts	<u>6,637,716</u>	<u>6,879,553</u>
General cash receipts:		
Property and other taxes	8,512,845	8,326,653
Grants and entitlements not restricted to specific programs	13,939,817	13,693,089
Investment earnings	97,775	70,932
Miscellaneous	<u>215,687</u>	<u>159,604</u>
Total general cash receipts	<u>22,766,124</u>	<u>22,250,278</u>
Total cash receipts	<u>29,403,840</u>	<u>29,129,831</u>

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(CONTINUED)

Change in Net Cash Position - (Continued)

	Governmental Activities 2018	Governmental Activities 2017
Cash Disbursements:		
Instruction:		
Regular	\$ 13,873,581	\$ 13,728,096
Special	4,157,138	4,207,572
Vocational	419,666	437,118
Support services:		
Pupil	1,535,988	1,615,114
Instructional staff	651,684	599,510
Board of education	208,946	310,567
Administration	1,895,201	1,968,031
Fiscal	602,128	522,121
Business	202,250	214,922
Operations and maintenance	2,548,439	2,464,598
Pupil transportation	746,430	937,978
Central	618,522	552,268
Operation of non instructional services:		
Community services	25,150	26,434
Food service operations	1,160,520	1,069,818
Extracurricular	657,896	571,243
Facilities acquisition and construction	-	214,903
Debt service:		
Principal retirement	446,802	504,317
Interest and fiscal charges	894,703	875,518
Total cash disbursements	30,645,044	30,820,128
Change in net cash position	(1,241,204)	(1,690,297)
Net cash position at beginning of year	14,633,030	16,323,327
Net cash position at end of year	\$ 13,391,826	\$ 14,633,030

Governmental Activities

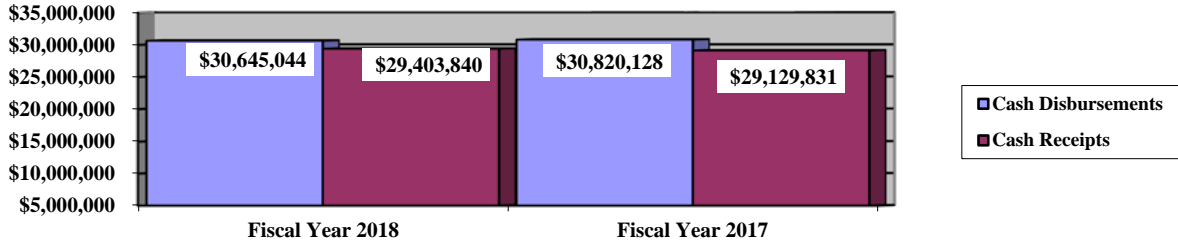
Governmental net cash position decreased by \$1,241,204 in fiscal year 2018 from fiscal year 2017 due to disbursements continuing to outpace receipts. Total governmental disbursements of \$30,645,044 were offset by program receipts of \$6,637,716 and general receipts of \$22,766,124. Program receipts supported 21.66% of the total governmental disbursements. The largest governmental disbursement was instructional which totaled \$18,450,385.

The primary sources of receipts for governmental activities are derived from taxes, and unrestricted grants and entitlements. These receipt sources represent 76.36% of total governmental receipts. Real estate property is reappraised every six years. General receipts increased through property tax receipts and state foundation funding. Overall, program receipts decreased as a result of less state and federal funding received in fiscal year 2018 for restricted programs.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(CONTINUED)

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



Governmental Activities

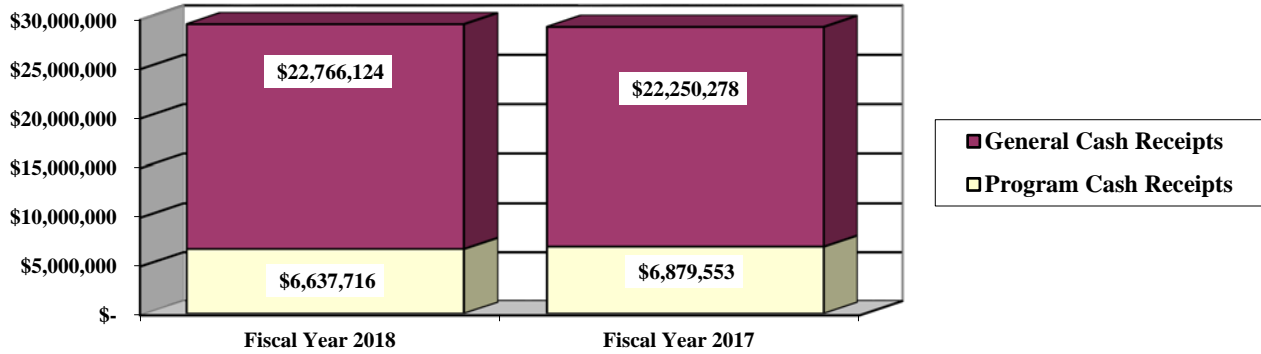
	Total Cost of Services 2018	Net Cost of Services 2018	Total Cost of Services 2017	Net Cost of Services 2017
Program expenses				
Instruction:				
Regular	\$ 13,873,581	\$ 12,373,559	\$ 13,728,096	\$ 12,226,931
Special	4,157,138	950,361	4,207,572	926,003
Vocational	419,666	326,220	437,118	378,809
Support services:				
Pupil	1,535,988	1,449,643	1,615,114	1,385,324
Instructional staff	651,684	524,048	599,510	468,470
Board of education	208,946	208,946	310,567	310,567
Administration	1,895,201	1,877,253	1,968,031	1,946,538
Fiscal	602,128	602,128	522,121	522,121
Business	202,250	202,250	214,922	214,922
Operations and maintenance	2,548,439	2,427,952	2,464,598	2,321,528
Pupil transportation	746,430	703,406	937,978	803,829
Central	618,522	605,997	552,268	535,762
Operation of non-instructional services:				
Community services	25,150	5,500	26,434	5,655
Food service operations	1,160,520	15,848	1,069,818	(31,162)
Extracurricular activities	657,896	392,712	571,243	332,034
Facilities acquisition and construction	-	-	214,903	213,409
Debt service:				
Principal retirement	446,802	446,802	504,317	504,317
Interest and fiscal charges	894,703	894,703	875,518	875,518
Total expenses	<u>\$ 30,645,044</u>	<u>\$ 24,007,328</u>	<u>\$ 30,820,128</u>	<u>\$ 23,940,575</u>

The dependence upon general cash receipts for governmental activities is apparent; with only 21.66% of cash disbursements supported through program cash receipts during 2018.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(CONTINUED)

Governmental Activities - General and Program Cash Receipts



Financial Analysis of the Government's Funds

As noted earlier, the School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund cash balance of \$11,615,769, which is \$1,322,224 lower than last year's total of \$12,937,993. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2018 and June 30, 2017, for all major and nonmajor governmental funds.

Funds	Fund Cash Balance June 30, 2018	Fund Cash Balance June 30, 2017	Increase (decrease)
General	\$ 7,895,178	\$ 9,072,054	\$ (1,176,876)
Classroom Facilities Maintenance	1,237,628	1,160,706	76,922
Bond Retirement	1,182,971	1,146,359	36,612
Classroom facilities	-	-	-
Other Nonmajor Governmental	1,299,992	1,558,874	(258,882)
Total	\$ 11,615,769	\$ 12,937,993	\$ (1,322,224)

General Fund

The School District's major funds are the General Fund, Classroom Facilities Maintenance Fund and Bond Retirement Fund.

The General Fund had cash receipts of \$24,208,235 and cash disbursements of \$25,385,111 in 2018. The General Fund's cash balance decreased \$1,176,876 or 12.97% from 2017 to 2018 due to a continuing trend of disbursements outpacing receipts.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(CONTINUED)

The table that follows assists in illustrating the cash receipts of the General Fund.

	2018 Amount	2017 Amount	Percentage Change
Cash Receipts:			
Taxes	\$ 6,982,051	\$ 6,826,371	2.28 %
Tuition	1,001,301	957,396	4.59 %
Earnings on investments	84,643	64,834	30.55 %
Extracurricular	58,149	70,235	(17.21) %
Other local revenues	378,493	262,727	44.06 %
Intergovernmental	15,703,598	15,324,331	2.47 %
Total	<u>\$ 24,208,235</u>	<u>\$ 23,505,894</u>	2.99 %

Overall, General Fund cash receipts remained consistent with prior year, with an increase of 2.99%. The increase in tuition of \$43,905 or 4.59% was due to an increase in open enrollment. Higher interest rates on investments resulted in an increase in earnings on investments. The increase in other local revenues of \$115,766 or 44.06% was due to an increase in reimbursements and rebates. Extracurricular receipts decreased due to less amounts received related to sales, admissions and fees from music, public service and sports related activities.

The table that follows assists in illustrating the disbursements of the General Fund.

	2018 Amount	2017 Amount	Percentage Change
Cash Disbursements			
Instruction	\$ 16,815,845	\$ 16,458,909	2.17
Support services	8,185,485	8,060,211	1.55
Operation of non-instructional	5,087	6,285	(19.06)
Extracurricular	378,694	333,530	13.54
Facilities acquisition and construction		1,307	(100.00)
Total	<u>\$ 25,385,111</u>	<u>\$ 24,860,242</u>	2.11

Cash disbursements for instructional and support services in fiscal year 2018 in the General Fund were comparable to fiscal year 2017. The increase (decrease) to the operation of non-instructional, extracurricular, and facilities acquisition and construction disbursements were not significant.

Classroom Facilities Maintenance Fund

The Classroom Facilities Maintenance fund had cash receipts of \$190,836 and cash disbursements of \$113,914 in fiscal year 2018. The Classroom Facilities Maintenance Fund is a special revenue fund that accounts for a property tax levied for the maintenance of the District's facilities.

Bond Retirement Fund

The Bond Retirement Fund had cash receipts of \$1,414,604 and cash disbursements of \$1,377,992 in fiscal year 2018. The Bond Retirement Fund's cash balance increased \$36,612 or 3.19% from 2017 to 2018.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(CONTINUED)

Budgeting Highlights - General Fund

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

For the General Fund, final budgetary basis receipts of \$23,915,661 were higher than the original budget estimates of \$23,616,107. Actual cash receipts of \$24,039,417 were more than final budget estimates by \$123,756.

The final and original budgetary basis disbursements were \$25,665,564 and \$25,470,022 respectively. The actual budgetary basis disbursements of \$25,333,847 were \$331,717 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The School District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The School District had no facilities acquisition and construction disbursements during fiscal year 2018.

Debt Administration

At June 30, 2018, the School District had \$18,276,109 in general obligation bonds outstanding. Of this total \$345,084 is due within one year and \$17,931,025 is due in more than one year. The following table summarizes the obligations outstanding.

	Governmental Activities 2018	Governmental Activities 2017
	<u>2018</u>	<u>2017</u>
2005 Bond Issue	\$ 3,715,000	\$ 3,715,000
2010A Tax-Exempt Bonds	81,699	113,501
2014A Refunding Bond Issue	9,460,000	9,460,000
2014B Refunding Bond Issue	770,000	1,185,000
2014B Capital Appreciation Bonds	79,410	79,410
2016 Refunding Bonds	<u>4,170,000</u>	<u>4,170,000</u>
Total long-term obligations	<u>\$ 18,276,109</u>	<u>\$ 18,722,911</u>

Refer to Note 9 to the basic financial statements for further detail.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(CONTINUED)

Current Financial Related Activities

The School District is located in Logan County. Property tax revenue estimates are based on historical collection levels. Since 2004, the School District has realized an annual decrease in its assessed valuation due to the phase out of the personal tangible property taxes. However, since the phase out period has expired, the School District anticipates small increases in its assessed valuation in future years. This is reflected in the figures used in the five-year forecast. 2019 is the next scheduled sexennial reassessment year for the School District. The School District had two renewal operating levies on the November 2016 ballot that were due to expire on December 31, 2017. Both levies were renewed by district voters.

The biennial State budget House Bill (HB49) covers the State funding cycle July 1, 2017 through June 30, 2019. The District received an increase in State funding in the current biennial budget. It was a welcomed increase after being flat-lined the last three years.

The phase out of the tangible personal property tax continues to be an ongoing funding concern for school districts. Under the current State Budget, it appears the School District will not receive any additional Tangible Personal Property (TPP) tax replacement payments. This is important information that should not get lost in discussions about this and future budgets.

The Board continues to closely scrutinize disbursements to keep them in line with estimated receipts. Pupil teacher ratios and class sizes will continue to be closely monitored. The result of this analysis will help determine future staffing needs for the School District.

As a result of previous decreases in State funding and loss of personal tangible property taxes, the School District has continued to make budget cuts since the 2006 fiscal year. The majority of the cuts have been personnel related and made through attrition where possible. When implementing the above actions, the School District has been able to stabilize its five-year forecast. Even with the above budget cuts, the School District still finds itself in a deficit spending situation that will need to be addressed.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Keith E. Krieger, Treasurer, Bellefontaine City School District, 820 Ludlow Road, Bellefontaine, OH 43311.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2018

	Governmental Activities
Assets:	
Equity in pooled cash and investments	\$ 13,391,826
Total assets	\$ 13,391,826
Net position:	
Restricted for:	
Capital projects	\$ 249,015
Debt service.	1,182,971
Classroom facilities maintenance	1,237,628
Food service operations	881,956
Miscellaneous grant programs	56,813
Student activities	153,279
Unrestricted.	9,630,164
Total net position	\$ 13,391,826

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position	
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	
Governmental activities:						
Instruction:						
Regular	\$ 13,873,581	\$ 1,148,418	\$ 351,604	\$ -	\$ (12,373,559)	
Special	4,157,138	2,428	3,204,349	-	(950,361)	
Vocational	419,666	3,510	89,936	-	(326,220)	
Support services:						
Pupil.	1,535,988	8,500	77,845	-	(1,449,643)	
Instructional staff	651,684	6,399	121,237	-	(524,048)	
Board of education	208,946	-	-	-	(208,946)	
Administration.	1,895,201	2,074	15,874	-	(1,877,253)	
Fiscal.	602,128	-	-	-	(602,128)	
Business.	202,250	-	-	-	(202,250)	
Operations and maintenance.	2,548,439	56,972	63,515	-	(2,427,952)	
Pupil transportation	746,430	-	43,024	-	(703,406)	
Central	618,522	2,964	9,561	-	(605,997)	
Operation of non-instructional services:						
Food service operations	1,160,520	354,982	789,690	-	(15,848)	
Community services	25,150	283	19,367	-	(5,500)	
Extracurricular activities	657,896	183,679	77,005	4,500	(392,712)	
Debt service:						
Principal retirement	446,802	-	-	-	(446,802)	
Interest and fiscal charges	894,703	-	-	-	(894,703)	
Total governmental activities.. . . .	<u>\$ 30,645,044</u>	<u>\$ 1,770,209</u>	<u>\$ 4,863,007</u>	<u>\$ 4,500</u>	<u>(24,007,328)</u>	
General receipts:						
Property taxes levied for:						
General purposes						6,982,051
Debt service.						1,236,332
Capital outlay.						175,102
Operation and maintenance.						119,360
Grants and entitlements not restricted to specific programs						13,939,817
Investment earnings						97,775
Miscellaneous						215,687
Total general receipts						22,766,124
Change in net position						(1,241,204)
Net position at beginning of year						14,633,030
Net position at end of year						\$ 13,391,826

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments	\$ 7,895,178	\$ 1,237,628	\$ 1,182,971	\$ 1,299,992	\$ 11,615,769
Total assets	<u>\$ 7,895,178</u>	<u>\$ 1,237,628</u>	<u>\$ 1,182,971</u>	<u>\$ 1,299,992</u>	<u>\$ 11,615,769</u>
Fund balances:					
Restricted:					
Capital improvements	\$ -	\$ -	\$ -	\$ 249,015	\$ 249,015
Debt service	-	-	1,182,971	-	1,182,971
Classroom facilities maintenance	-	1,237,628	-	-	1,237,628
Food service operations	-	-	-	881,956	881,956
Miscellaneous grant projects	-	-	-	56,813	56,813
Student activities	-	-	-	153,279	153,279
Assigned:					
Student instruction	15,858	-	-	-	15,858
Student and staff support	189,564	-	-	-	189,564
Subsequent year's appropriations	2,421,167	-	-	-	2,421,167
Unassigned (deficit)	<u>5,268,589</u>	<u>-</u>	<u>-</u>	<u>(41,071)</u>	<u>5,227,518</u>
Total fund balances	<u>\$ 7,895,178</u>	<u>\$ 1,237,628</u>	<u>\$ 1,182,971</u>	<u>\$ 1,299,992</u>	<u>\$ 11,615,769</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES - CASH BASIS
JUNE 30, 2018

Total governmental fund balances	\$ 11,615,769
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>	
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets of the internal service fund are included in the governmental activities on the statement of net position.	<u>1,776,057</u>
Net position of governmental activities	<u><u>\$ 13,391,826</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCES - CASH BASIS - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Classroom Facilities Maintenance</u>	<u>Bond Retirement</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Receipts:					
From local sources:					
Property and other local taxes	\$ 6,982,051	\$ 119,360	\$ 1,236,332	\$ 175,102	\$ 8,512,845
Tuition	1,001,301	-	-	16,280	1,017,581
Earnings on investments	84,643	-	-	1,037	85,680
Charges for services	-	-	-	382,803	382,803
Extracurricular	58,149	-	-	195,144	253,293
Classroom materials and fees	86,729	-	-	-	86,729
Rental income	29,803	-	-	-	29,803
Contributions and donations	46,274	-	-	119,542	165,816
Other local receipts	215,687	-	-	166,396	382,083
Intergovernmental - state	15,515,321	71,476	178,272	130,688	15,895,757
Intergovernmental - federal	188,277	-	-	2,390,041	2,578,318
Total receipts	<u>24,208,235</u>	<u>190,836</u>	<u>1,414,604</u>	<u>3,577,033</u>	<u>29,390,708</u>
Disbursements:					
Current:					
Instruction:					
Regular	13,535,975	-	-	374,118	13,910,093
Special	2,859,305	-	-	1,306,585	4,165,890
Vocational	420,565	-	-	328	420,893
Support services:					
Pupil	1,458,810	-	-	82,339	1,541,149
Instructional staff	517,103	-	-	135,928	653,031
Board of education	208,946	-	-	-	208,946
Administration	1,884,945	-	-	14,668	1,899,613
Fiscal	557,643	3,656	36,487	5,058	602,844
Business	202,782	-	-	-	202,782
Operations and maintenance	2,000,283	110,258	-	442,344	2,552,885
Pupil transportation	743,288	-	-	5,072	748,360
Central	611,685	-	-	7,919	619,604
Operation of non-instructional services:					
Food service operations	-	-	-	1,162,291	1,162,291
Community services	5,087	-	-	20,063	25,150
Extracurricular activities	378,694	-	-	279,202	657,896
Debt service:					
Principal retirement	-	-	446,802	-	446,802
Interest and fiscal charges	-	-	894,703	-	894,703
Total disbursements	<u>25,385,111</u>	<u>113,914</u>	<u>1,377,992</u>	<u>3,835,915</u>	<u>30,712,932</u>
Net change in fund balances	(1,176,876)	76,922	36,612	(258,882)	(1,322,224)
Fund balances at beginning of year	<u>9,072,054</u>	<u>1,160,706</u>	<u>1,146,359</u>	<u>1,558,874</u>	<u>12,937,993</u>
Fund balances at end of year	<u>\$ 7,895,178</u>	<u>\$ 1,237,628</u>	<u>\$ 1,182,971</u>	<u>\$ 1,299,992</u>	<u>\$ 11,615,769</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds	\$ (1,322,224)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Internal service funds charge insurance costs to other funds. The entity-wide statements eliminate governmental fund expenditures and related internal service fund charges. Governmental activities report allocated net internal service fund receipts (disbursements).	<u>81,020</u>
Change in net position of governmental activities	<u><u>\$ (1,241,204)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH BASIS FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
From local sources:				
Property and other local taxes	\$ 6,859,104	\$ 6,946,107	\$ 6,982,051	\$ 35,944
Tuition	983,669	996,146	1,001,301	5,155
Earnings on investments	83,153	84,207	84,643	436
Classroom materials and fees	8,509	8,617	8,662	45
Rental income	29,278	29,650	29,803	153
Contributions and donations	13,431	13,602	13,672	70
Other local receipts	211,889	214,577	215,687	1,110
Intergovernmental - state	15,242,112	15,435,447	15,515,321	79,874
Intergovernmental - federal	184,962	187,308	188,277	969
Total receipts	<u>23,616,107</u>	<u>23,915,661</u>	<u>24,039,417</u>	<u>123,756</u>
Disbursements:				
Current:				
Instruction:				
Regular	13,503,653	13,607,325	13,431,456	175,869
Special	2,875,394	2,897,470	2,860,021	37,449
Vocational	424,086	427,342	421,819	5,523
Support services:				
Pupil	1,456,569	1,467,751	1,448,781	18,970
Instructional staff	517,326	521,298	514,560	6,738
Board of education	210,347	211,962	209,222	2,740
Administration	1,891,491	1,906,012	1,881,378	24,634
Fiscal	565,940	570,285	562,914	7,371
Business	203,872	205,437	202,782	2,655
Operations and maintenance	2,070,390	2,086,285	2,059,321	26,964
Pupil transportation	749,900	755,658	745,891	9,767
Central	624,121	628,912	620,784	8,128
Operation of non-instructional services:				
Community services	5,114	5,154	5,087	67
Extracurricular activities	371,819	374,673	369,831	4,842
Total disbursements	<u>25,470,022</u>	<u>25,665,564</u>	<u>25,333,847</u>	<u>331,717</u>
Net change in fund balance	(1,853,915)	(1,749,903)	(1,294,430)	455,473
Fund balance at beginning of year	8,872,786	8,872,786	8,872,786	-
Prior year encumbrances appropriated	101,337	101,337	101,337	-
Fund balance at end of year	<u>\$ 7,120,208</u>	<u>\$ 7,224,220</u>	<u>\$ 7,679,693</u>	<u>\$ 455,473</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN
CASH BASIS FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
CLASSROOM FACILITIES MAINTENANCE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
From local sources:				
Property taxes	\$ 118,224	\$ 119,360	\$ 119,360	\$ -
Intergovernmental - state	71,614	71,469	71,476	7
Total receipts	<u>189,838</u>	<u>190,829</u>	<u>190,836</u>	<u>7</u>
Disbursements:				
Current:				
Support services:				
Fiscal	12,192	12,195	3,656	-
Operations and maintenance.	690,707	690,863	207,122	483,741
Total disbursements	<u>702,899</u>	<u>703,058</u>	<u>210,778</u>	<u>492,280</u>
Net change in fund balance	(513,061)	(512,229)	(19,942)	492,287
Fund balance at beginning of year	1,156,891	1,156,891	1,156,891	-
Prior year encumbrances appropriated	3,815	3,815	3,815	-
Fund balance at end of year	<u>\$ 647,645</u>	<u>\$ 648,477</u>	<u>\$ 1,140,764</u>	<u>\$ 492,287</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

STATEMENT OF FUND NET POSITION - CASH BASIS
PROPRIETARY FUND
JUNE 30, 2018

	<u>Governmental Activities - Internal Service Fund</u>
Assets:	
Equity in pooled cash and investments	\$ 1,776,057
Total assets.	<u>\$ 1,776,057</u>
Net position:	
Unrestricted	<u>1,776,057</u>
Total net position.	<u>\$ 1,776,057</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGE IN NET POSITION - CASH BASIS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Governmental Activities - Internal Service Fund
Operating receipts:	
Charges for services	\$ 3,979,294
Total operating receipts	<u>3,979,294</u>
Operating disbursements:	
Administrative fees.	600,038
Claims	<u>3,311,368</u>
Total operating disbursements	<u>3,911,406</u>
Operating income	<u>67,888</u>
Nonoperating receipts:	
Interest receipts.	<u>13,132</u>
Total nonoperating receipts.	<u>13,132</u>
Change in net position	81,020
Net position at beginning of year.	<u>1,695,037</u>
Net position at end of year	<u>\$ 1,776,057</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2018

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 93,084	\$ 76,013
Total assets.	\$ 93,084	\$ 76,013
Net position:		
Held for student activities	\$ -	\$ 76,013
Held in trust for scholarships	47,144	-
Endowments	45,940	-
Total net position.	\$ 93,084	\$ 76,013

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Private Purpose Trust
	Scholarship
Additions:	
Gifts and contributions	\$ 18,825
Interest	1,248
Total additions.	20,073
 Deductions:	
Scholarships	8,400
Change in net position.	11,673
 Net position at beginning of year	81,411
Net position at end of year	\$ 93,084

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Bellefontaine City School District (the “School District”) is organized under Sections 2 and 3, Article VI of the Constitution of the state of Ohio to provide educational services to the students and other community members of the School District. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms by the voters of the School District.

The School District serves an area of approximately 31 square miles in Logan County, including all of the City of Bellefontaine, Ohio, and portions of surrounding townships.

The School District currently operates two elementary schools, one middle school and one comprehensive high school. The School District is staffed by non-certified employees and certified employees to provide services to students and other community members.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

A 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 the 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 organization's 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 does not have any component units.

The School District is associated with three jointly governed organizations, one joint venture, and one insurance purchasing pool. These organizations include the Ohio Hi-Point Joint Vocational School District, State Support Team Region 6, the Logan County Education Foundation, the Joint Recreation District (Blue Jacket Park) and the Hunter Consulting Company Worker's Compensation Group Rating Plan. These organizations are presented in Notes 11, 12 and 13 to the basic financial statements.

As discussed further in Note 2.B., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

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

B. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the School District's financial report to follow generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. The School District recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. As a result of the use of this cash basis of accounting, certain assets and deferred outflows of resources and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and deferred inflows of resources and their related expenses (such as accounts payable and expenses for goods or services received, but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

The School District also reports investments as assets, valued at cost basis.

Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). Differences between disbursements reported in the government-wide and fund financial statements versus budgetary disbursements result from encumbrances outstanding at the beginning and end of the fiscal year.

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

C. Basis of Presentation

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

Government-Wide Financial Statements - The Statement of Net Position and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

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

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

A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

1. Total assets, receipts or disbursements of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and,
2. Total assets, receipts or disbursements of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

D. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the School District are financed. The following are the School District's major governmental funds:

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

Classroom Facilities Maintenance Fund - The Classroom Facilities Maintenance Fund is used to account for the proceeds of a levy for the maintenance of facilities.

Bond Retirement Fund - The Bond Retirement Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the government is obligated in some manner for payment.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed internally or externally.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

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

PROPRIETARY FUND

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The internal service fund is used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the School District, or to other governmental units, on a cost-reimbursement basis. The School District has one proprietary fund, an Internal Service Fund. The internal service fund is used to account for the operation of providing health and dental coverage to the employees of the School District. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The Net Position of the internal service fund is included with unrestricted net position on the government-wide statement.

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organization, or other governmental units and are not available to support the School District's own programs. The School District's fiduciary funds include private purpose trust and agency funds. The School District's private purpose trust funds account for endowments and programs that provide college scholarships for students after graduation. Agency funds are custodial in nature (cash equals net position) and do not involve measurement of results of operations. The School District's agency funds account for various student-managed activities.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the object and function level within all funds are made by the Treasurer.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

The difference between the budgetary basis and the cash basis is outstanding year end encumbrances which are treated as cash disbursements (budgetary basis) rather than assigned fund balance (cash basis).

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed disbursements and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

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

By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected receipt of each fund. Prior to June 30, the School District must revise its budget so that total contemplated disbursements from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in receipt are identified by the School District's Treasurer.

Appropriations

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying a new certificate is not necessary, the annual Appropriation Resolution Report must be legally enacted by the Board of Education at the fund level of disbursements, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary disbursements of the School District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year-end are reported as a restricted or assigned fund balance for subsequent-year disbursements for governmental funds.

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

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

F. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements.

During fiscal year 2018 investments were limited to STAR Ohio, money market accounts and negotiable certificates of deposit. In accordance with the cash basis of accounting, all School District investments are reported at cost.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The School District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

The School District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance, with no term commitment on deposits.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2018 were \$84,643 which includes \$27,334 of interest assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as "equity in pooled cash and investments". Investments with an initial maturity of more than three months that were not purchased from the cash management pool are reported as investments.

G. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets. Depreciation is not recorded on these capital assets.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

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

H. Compensated Absences

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

I. Long-Term Debt

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

J. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants for the acquisition or construction of capital assets are recorded as receipts when the grant is received.

K. Inventory

The School District reports disbursements for inventory when paid. These items are not reflected as assets in the accompanying financial statements.

L. Pensions/Other Postemployment Benefits (OPEB)

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

M. Equity Classifications

Government-Wide Financial Statements

Equity is classified as net position and is displayed in separate components:

1. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the school district. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. At June 30, 2018, there were no net positions restricted by enabling legislation.
2. Unrestricted net position - All other net positions that do not meet the definition of "restricted."

The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

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

Fund Financial Statements

Governmental fund equity is classified as 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 governmental funds. The classifications are as follows:

Non-spendable - The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

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 classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the 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 classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. The Board of Education has by resolution authorized the Treasurer to assign fund balance.

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.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

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

N. Interfund Activity

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

During the course of normal operations, the School District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources to be expended are recorded as transfers.
2. Reimbursements from one fund to another are treated as disbursements/expenses in the reimbursing fund and a reduction in disbursements/expense in the reimbursed fund.

O. Receipts and Disbursements

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District's taxpayers are reported as program receipts. The School District has the following program receipts: charges for services and sales, operating and capital grants, contributions and interest.

All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

Disbursements

Governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities and food service operations.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2018, the School District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension", GASB Statement No. 81 "Irrevocable Split-Interest Agreements" GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the School District's postemployment benefit plan disclosures, as presented in Note 8 to the basic financial statements.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the School District.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the School District.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the School District.

B. Compliance

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2018, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

C. Deficit Fund Balances

Fund balances at June 30, 2018, included the following individual fund deficits:

<u>Nonmajor Special Revenue Funds</u>	<u>Deficit</u>
Miscellaneous State Grants	\$ 20,531
IDEA, Part B	5,989
Title I, Disadvantaged Children	10,238
Improving Teacher Quality	2,577
Miscellaneous Federal Grants	1,736

The General Fund is liable for any deficit in these funds and provides transfers when cash is required. The deficit fund balances resulted from state and federal grant funding that was requested but not received as of June 30, 2018.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above; provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one-hundred and eighty days in an amount not to exceed 25 percent of the interim moneys available for investment at any one time; and,
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits

Custodial credit risk is the risk that, in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State.

At fiscal year-end, the carrying amount of the School District's deposits was \$9,734,033 and the bank balance was \$9,856,389. Of the School District's bank balance, \$5,182,434 was covered by federal depository insurance (which includes \$525,657 held in a STAR Plus account) and \$4,673,955 was covered by the OPCS.

As of June 30, 2018, the School District has \$945 deposited in cash on hand. This amount is included in equity in pooled cash and investments.

B. Investments

As of June 30, 2018, the School District had the following investments:

<u>Investment type</u>	<u>Measurement Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>24 to 60 months</u>
STAR Ohio	\$ 162,474	\$ 162,474	\$ -	\$ -	\$ -	\$ -
Fifth Third securities money market	53,471	53,471	-	-	-	-
Fifth Third negotiable CDs	<u>3,610,000</u>	<u>250,000</u>	<u>676,000</u>	<u>1,174,000</u>	<u>250,000</u>	<u>1,260,000</u>
Total	<u>\$ 3,825,945</u>	<u>\$ 465,945</u>	<u>\$ 676,000</u>	<u>\$ 1,174,000</u>	<u>\$ 250,000</u>	<u>\$ 1,260,000</u>

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interest Rate Risk: The School District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Custodial Credit Risk: For an investment, 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. 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.

Credit Risk: The School District's investments at June 30, 2018, in STAR Ohio and money market funds are all rated AAAM by Standard & Poor's. STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The negotiable CD's are fully covered by the FDIC. The weighted average of maturity of the investment portfolio held the School District as of June 30, 2018 is 2.51 years.

Concentration of Credit Risk: The School District places no limit on the amount the School District may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. Less than 5 percent of the School District's investments are in STAR Ohio and money market funds.

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 the first half of the following fiscal year.

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, 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 semiannually, 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 2018 represents collections of calendar year 2017 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017 and are collected in 2018 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.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 5 - PROPERTY TAXES - (Continued)

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

The School District receives property taxes from Logan County. 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, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2018 taxes were collected are:

	2017 Second		2018 First	
	Half Collections		Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 261,789,110	96.02	\$ 263,155,590	95.84
Public utility personal	<u>10,862,590</u>	<u>3.98</u>	<u>11,417,700</u>	<u>4.16</u>
Total	<u>\$ 272,651,700</u>	<u>100.00</u>	<u>\$ 274,573,290</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$ 54.88		\$ 54.88

NOTE 6 - RISK MANAGEMENT

A. Public Liability

The School District is exposed to various risks related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School District maintains comprehensive commercial insurance coverage for real property, building contents, and vehicles.

Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in coverage from the prior year.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 6 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

The School District participates in the Hunter Consulting Company Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan.

Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of the Hunter Consulting Company provides administrative, cost control and actuarial services to the Plan.

C. Self-Insurance

The School District has established a Self-Insurance Fund in the Internal Service Fund Type to account for and finance its uninsured risks of loss. Under this program, the Self-Insurance Fund provides coverage for up to a maximum of \$75,000 per claim per employee. The School District purchases commercial insurance for claims in excess of coverage provided by this fund and for other risks of loss including annual aggregate stop losses coverage for annual claims paid. Settled claims have not exceeded this commercial insurance coverage in any of the past three fiscal years.

The School District is also self-insured for employee health care benefits. The Self Insurance Fund pays covered claims to service providers, and recovers these costs from interfund rates that are charged based on claims approved by the claims administrator. A comparison of Self Insurance Fund cash balance and estimated liability as of June 30, 2018 and June 30, 2017 follows:

	2018	2017
Cash	\$ 1,776,057	\$ 1,695,037
Estimated Liabilities	223,240	204,730

NOTE 7 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)

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, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$464,658 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

Plan Description - School District licensed teachers 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 website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost-of-living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 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, 12% of the 14% member rate goes to the DC Plan and the remaining 2% is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For fiscal year 2018, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,746,451 for fiscal year 2018.

Net Pension Liability

The net pension liability was measured as of June 30, 2017, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net pension liability prior measurement date	0.10752990%	0.11390261%	
Proportion of the net pension liability current measurement date	<u>0.10930280%</u>	<u>0.11659902%</u>	
Change in proportionate share	<u>0.00177290%</u>	<u>0.00269641%</u>	
Proportionate share of the net pension liability	\$ 6,530,601	\$ 27,698,347	\$ 34,228,948

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or ad hoc COLA	2.50 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Actuarial cost method	Entry age normal (level percent of payroll)

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disable members were based upon the RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

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

The long-term return expectation for the Pension Plan Investments has been determined 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.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 9,062,777	\$ 6,530,601	\$ 4,409,387

Actuarial Assumptions - STRS Ohio

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016 are presented below:

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	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 commences on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, 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 no set back from age 90 and above.

Actuarial assumptions used in the July 1, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 7 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
School District's proportionate share of the net pension liability	\$ 39,704,638	\$ 27,698,347	\$ 17,584,847

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 8 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. This GASB pronouncement had no effect on beginning net position as reported June 30, 2017, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

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

The net OPEB liability represents the School District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB 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 these estimates annually.

The 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 OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

Plan Description - School Employees Retirement System (SERS)

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

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. 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 2018, the School District's surcharge obligation was \$60,403.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$77,613 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.11090750%	0.11659902%	
Proportion of the net OPEB liability current measurement date	<u>0.11090750%</u>	<u>0.11659902%</u>	
Change in proportionate share	<u>0.00000000%</u>	<u>0.00000000%</u>	
Proportionate share of the net OPEB liability	\$ 2,976,466	\$ 4,549,264	\$ 7,525,730

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2017, are presented below:

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)

Wage inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Investment rate of return	7.50 percent net of investments expense, including inflation
Municipal bond index rate:	
Measurement date	3.56 percent
Prior measurement date	2.92 percent
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Measurement date	3.63 percent
Prior measurement date	2.98 percent
Medical trend assumption:	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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

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

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

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

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Discount Rate - The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the State statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates - The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$ 3,594,462	\$ 2,976,466	\$ 2,486,856

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	\$ 2,415,179	\$ 2,976,466	\$ 3,719,339

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment rate of return	7.45 percent, net of investment expenses, including inflation
Payroll increases	3 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended discount rate of return	4.13 percent
Health care cost trends	6 to 11 percent initial, 4.5 percent ultimate

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

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

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

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

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

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**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 8 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate - The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$ 6,107,313	\$ 4,549,264	\$ 3,317,895
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$ 3,160,633	\$ 4,549,264	\$ 6,376,863

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 9 - DEBT OBLIGATIONS

The following is a description of the School District's bonds outstanding as of June 30, 2018:

	Balance 6/30/17	Additions	Reductions	Balance 6/30/18	Due Within One Year
General Obligation Bonds					
2005 Bond Issue 5.0-5.5%	\$ 3,715,000	\$ -	\$ -	\$ 3,715,000	\$ -
2010A Tax-Exempt Bonds 5.45-5.9%	113,501	-	(31,802)	81,699	15,674
2014A Refunding Bond Issue	9,460,000	-	-	9,460,000	-
2014B Refunding Bond Issue .50-2.10%	1,185,000	-	(415,000)	770,000	250,000
2014B Capital Appreciation Bonds 2.20%	79,410	-	-	79,410	79,410
2016 Refunding Bonds 1.00-4.00%	<u>4,170,000</u>	-	-	<u>4,170,000</u>	-
Total Debt Obligation	<u>\$ 18,722,911</u>	<u>\$ -</u>	<u>\$ (446,802)</u>	<u>\$ 18,276,109</u>	<u>\$ 345,084</u>

2005 General Obligation Advance Refunding Bonds - In April 2005, the School District issued \$7,475,000 in voted general obligation bonds for the purpose of refunding a portion of the 1999 School Improvement Bonds originally issued for the purpose of additions and renovations to the High School. The refunding bond issue consists of \$3,760,000 in serial bonds and \$3,715,000 in term bonds. The serial bonds have interest rates at 5.0 percent and yield rates from 2.45 to 4.22 percent. Term bonds have a 5.5 percent interest rate with final maturities on December 1, 2023 and December 1, 2026. The bonds will be retired from the Debt Service Fund. The source of payment is derived from current 2.70 mill and current 2.60 mill bonded debt facilities tax levies.

The remaining serial bonds mature each year beginning in 2010 through 2019. Bonds maturing on December 1, 2016, 2017, 2018 and 2019 are subject to redemption at the option of the School District, in whole or in part, in such order as the School District shall determine, on any date on or after December 1, 2015, at the redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption.

The term bonds maturing on December 1, 2023 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2020 and each December 1 thereafter. The remaining principal amount of such Bonds (\$530,000) will mature at stated maturity on December 1, 2023.

The term bonds maturing on December 1, 2026 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2024 and 2025. The remaining principal amount of such bonds (\$620,000) will mature at stated maturity on December 1, 2026.

2010 School Facilities Construction and Improvement Bonds - In September 2010, the School District issued \$14,579,923 in general obligation bonds for the purpose of constructing two new school buildings. The bond issue consisted of \$205,000 of tax-exempt serial bonds, \$184,923 of tax-exempt capital appreciation bonds and \$14,190,000 in Build America Bonds (BABs). The serial bonds had interest rates at 2.0 percent. The Capital Appreciation Bonds bore interest, compounded semi-annually on June 1 and December 1 (the "interest Accretion Dates"), from the date of their issuance, but the interest will be payable only at maturity. The Build America Bonds had a 5.45 percent to 5.90 percent. The bonds were retired from the Debt Service Fund. The source of payment was derived from current 2.80 mill and current 0.5 mill bonded debt tax levies.

During 2014 and 2016, the 2010 serial BABs were refunded. At June 30, 2018, \$81,699 of the tax-exempt capital appreciation bonds are outstanding.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 9 - DEBT OBLIGATIONS - (Continued)

Refunding Bonds, 2014A - On May 20, 2014, the School District issued \$9,470,000 in voted general obligation unlimited tax serial bonds. The bonds advance refunded \$9,810,000 of outstanding 2010B Build America (BABs) General Obligation Bonds, including term bonds maturing on December 1, 2030 through December 1, 2035. The bonds were issued for a twenty-two year period with final maturities at December 1, 2035.

At the date of refunding, \$9,838,752 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. The advance refunding reduced cash flows required for debt service by \$424,543 over the next thirteen years and resulted in an economic gain of \$345,154.

The bond issue consists of serial bonds. The serial bonds were issued with a varying interest rate of 3.0 - 4.0 percent. The bonds that mature on or after December 1, 2022 are subject to prior redemption, by and at the sole option of the School District, in whole or in part as selected by the School District (in whole multiples of \$5,000), on any date on or after December 1, 2021, at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to date.

Refunding Bonds, 2014B - On May 20, 2014, the School District issued \$1,759,410 in voted general obligation unlimited tax serial and capital appreciation bonds. The bonds advance refunded \$1,760,000 of outstanding 2005 General Obligation Bonds, including serial bonds maturing on December 1, 2016 through December 1, 2019. The bonds were issued for a five year period with final maturities at December 1, 2019.

At the date of refunding, \$1,887,781 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$1,760,000 of the 2005 Series Bonds are considered to be defeased. The advance refunding reduced cash flows required for debt service by \$424,543 over the next six years and resulted in an economic gain of \$345,154. As of June 30, 2018, the entire amount of defeased bonds were outstanding.

The capital appreciation bond will mature on December 1, 2018. The bond was purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$265,000. The accumulated accreted interest at June 30, 2018 is \$152,619.

Refunding Bonds, 2016 - On May 12, 2016, the School District issued \$4,255,000 in general obligation unlimited tax refunding bonds. The bonds advance refunded \$4,380,000 of outstanding 2010B Build America (BABs) General Obligation Bonds. The bonds were issued for a twenty-five year period with final maturities at June 1, 2041.

At the date of refunding, \$4,496,289 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. The advance refunding reduced cash flows required for debt service by \$551,503 over the next 24 years and resulted in an economic gain of \$375,988.

The bond issue consists of serial and term bonds. The serial bonds were issued with an interest rate of 1.00 percent.

The term bonds maturing on December 1, 2037 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2036 (\$770,000). The remaining principal amount of such term bonds (\$800,000) will mature at stated maturity on December 1, 2037.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 9 - DEBT OBLIGATIONS - (Continued)

The term bonds maturing on December 1, 2040 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1, 2038 (\$835,000) and December 1, 2039 (\$865,000). The remaining principal amount of such term bonds (\$900,000) will mature at stated maturity on December 1, 2040.

The following is a summary of the School District's future annual debt service requirements to maturity for general obligation bonds:

Fiscal Year Ending June 30,	General Obligation Bonds			
	2014A Refunding		2014B Capital Appreciation	
	Principal	Interest	Principal	Interest
2019	\$ -	\$ 353,888	\$ 79,410	\$ 185,590
2020	-	353,888	-	-
2021	-	353,888	-	-
2022	-	353,888	-	-
2023	110,000	352,238	-	-
2024 - 2028	2,560,000	1,585,638	-	-
2029 - 2033	4,555,000	870,844	-	-
2034 - 2036	<u>2,235,000</u>	<u>134,100</u>	-	-
Total	<u>\$ 9,460,000</u>	<u>\$ 4,358,372</u>	<u>\$ 79,410</u>	<u>\$ 185,590</u>

Fiscal Year Ending June 30,	General Obligation Bonds			
	2014B Refunding		2005 Bond Issue	
	Principal	Interest	Principal	Interest
2019	\$ 250,000	\$ 13,108	\$ -	\$ 204,325
2020	520,000	5,460	-	204,325
2021	-	-	450,000	191,951
2022	-	-	470,000	166,650
2023	-	-	500,000	139,975
2024 - 2027	-	-	<u>2,295,000</u>	<u>260,838</u>
Total	<u>\$ 770,000</u>	<u>\$ 18,568</u>	<u>\$ 3,715,000</u>	<u>\$ 1,168,064</u>

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 9 - DEBT OBLIGATIONS - (Continued)

Fiscal Year Ending June 30,	General Obligation Bonds			
	2010 Bond Issue - Tax Exempt		2016 Refunding	
	Principal	Interest	Principal	Interest
2019	\$ 15,674	\$ 104,326	\$ -	\$ 160,300
2020	15,290	134,710	-	160,300
2021	21,873	253,127	-	160,300
2022	18,931	286,069	-	160,300
2023	9,931	195,069	-	160,300
2024 - 2028	-	-	-	801,500
2029 - 2033	-	-	-	801,500
2034 - 2038	-	-	1,570,000	739,300
2039 - 2041	-	-	2,600,000	148,688
Total	<u>\$ 81,699</u>	<u>\$ 973,301</u>	<u>\$ 4,170,000</u>	<u>\$ 3,292,488</u>

NOTE 10 - SET-ASIDE REQUIREMENTS

The School District is required by state law to set aside certain General Fund receipt amounts, as defined, into various reserves. For the fiscal year ended June 30, 2018, the reserve activity was as follows:

	Capital Improvements
Set-aside balance June 30, 2017	\$ -
Current year set-aside requirement	440,366
Prior year offset from bond proceeds	<u>(440,366)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2019	<u>\$ -</u>
Set-aside balance June 30, 2018	<u>\$ -</u>

NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Hi-Point Joint Vocational School District

The Ohio Hi-Point Joint Vocational School District 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 participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Ohio Hi-Point Joint Vocational School District, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311-9594.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

B. State Support Team Region 6

The State Support Team Region 6 (“SST6”) is a special education service center, which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SST6 is governed by a board of 52 members made up of the 50 superintendents of the participating School Districts, one non-public school, and Wright State University whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained by contacting Becky Rees, Director, at 1045 Dearbaugh, Suite #1, Wapakoneta, Ohio 45895.

C. Logan County Education Foundation

The Logan County Education Foundation was established to secure and distribute contributions from individuals, corporations, and foundations for the benefit of students within the county. The Foundation promotes, sponsors, and encourages the pursuit of excellence in education for students. The Foundation is managed by a Board of Trustees composed of six trustees from each school district. These trustees are nominated by their local school boards including Bellefontaine City School District, Benjamin Logan Local School District, Indian Lake Local School District, and Riverside Local School District. The Executive Board is comprised of the Logan County Educational Service Center Superintendent representing the three local school districts and the Bellefontaine City School District Superintendent representing the city school district. Financial information can be obtained by contacting Eric Tom, who serves as Financial Advisor, 121 South Opera Street, Bellefontaine, Ohio 43311.

NOTE 12 - JOINT VENTURE

The Joint Recreation District (Blue Jacket Park) - The Joint Recreation District (JRD) was established June 25, 1984. The JRD is operated by a seven member Board consisting of three representatives from both the Bellefontaine City School District and the City of Bellefontaine.

The remaining member is selected by the six appointed Board members. The JRD operates the Blue Jacket Park which is adjacent to the Bellefontaine City School District and for which the School District owns the land. The operating budget for the JRD is passed by the City of Bellefontaine and is submitted to the JRD Board. To obtain financial information write to the City of Bellefontaine, Fred Brentlinger, who serves as Auditor, at 135 North Detroit Street, Bellefontaine, Ohio 43311.

NOTE 13 - INSURANCE PURCHASING POOL

The Hunter Consulting Company Workers’ Compensation Group Rating Plan - The School District participates in a group rating plan for workers’ compensation as established under Section 4123.29 of the Ohio Revised Code. The Hunter Consulting Company Workers’ Compensation Group Rating Plan (the “Plan”) was established through the Hunter Consulting Company as an insurance purchasing pool. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the Plan.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 14 - CONTINGENCIES

A. 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, 2018, if applicable, cannot be determined at this time.

B. Litigation

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

C. Foundation Funding

The School District's Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. 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 District, which can extend past the fiscal year end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the School District. As a result, the School District received an additional \$1,876 from ODE. This amount has not been included in the financial statements.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

The statements of receipts, disbursements and changes in cash basis fund balance - budget and actual (budget basis), presented for the General Fund and Classroom Facilities Maintenance Fund, are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are that:

- a. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- b. Some funds are included in the General Fund (cash basis), but have separate legally adopted budgets (budget basis).

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the cash basis for the General Fund and Classroom Facilities Maintenance Fund are as follows:

	Net Change in Fund Balance	
	General Fund	Classroom Facilities Maintenance Fund
Budget Basis	\$ (1,294,430)	\$ (19,942)
Fund Budgeted Elsewhere **	17,724	-
Adjustment for Encumbrances	99,830	96,864
Cash Basis	\$ (1,176,876)	\$ 76,922

** As part of Governmental Accounting Standards Board Statement No. 54, “Fund Balance Reporting”, certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on the cash basis. This includes the public school support fund and the uniform school supplies fund.

NOTE 16 - ENCUMBRANCES

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the School District’s commitments for encumbrances in the governmental funds were as follows:

Fund	Amount
General	\$ 103,645
Classroom Facilities Maintenance	96,864
Non-major Governmental	127,428
Total	\$ 327,937

NOTE 17 - TAX ABATEMENTS

The Ohio Enterprise Zone Program (EZ) is an economic development tool administered by municipal and county governments that provides real and personal property tax exemptions to businesses making investments in Ohio. The tax being abated is real property tax. The tax incentives are negotiated at the local level and the enterprise zone agreement must be in place before the project begins. The EZ Program is part of Chapter 5709 of the Ohio Revised Code. The EZ’s geographic area is determined by the local communities. Resolution number 90-80 and resolution number 519-90, passed by the City of Bellefontaine and Logan County, Ohio, sets forth the area of the City of Bellefontaine that can negotiate an EZ agreement. The taxes are abated by exempting certain assessed valuation of the property for a period of time.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)

NOTE 17 - TAX ABATEMENTS - (Continued)

The following companies have entered into EZ agreements with the City of Bellefontaine and Logan County that forgo real property taxes assessed to School District:

- Acusport - The City of Bellefontaine grants a tax exemption of 75% on all new property improvements as part of the project. Each project improvement will receive an exemption for a period of ten years. No exemption shall commence after December 31, 2005, nor extend beyond December 31, 2025. Acusport has agreed to create 80 new full-time permanent jobs which will net approximately \$4,000,000 of additional annual payroll in exchange for the abatement. The Tax Incentive Review Council meets annually to review the exemptions and to determine whether the company is maintaining their end of the agreement. If an agreement is terminated by the Review Council the assessed valuation of the property will be set at its fair market valuation with no additional exemption allowed. The gross dollar amount by which the taxes were reduced to the School District for fiscal year 2018 was \$14,768. The abatement ceased with the purchase of Acusport by the Ellett Brothers in 2017.
- ISS America, Inc. - The City of Bellefontaine grants a tax exemption of 75% on all new property improvements as part of the project. Each project improvement will receive an exemption for a period of ten years. No exemption shall commence after December 31, 2005, nor extend beyond December 31, 2025. ISS America, Inc. has agreed to create 35 new full-time permanent jobs by July 31, 2018, which will net approximately \$1,050,000 of additional annual payroll in exchange for the abatement. The Tax Incentive Review Council meets annually to review the exemptions and to determine whether the company is maintaining their end of the agreement. If an agreement is terminated by the Review Council the assessed valuation of the property will be set at its fair market valuation with no additional exemption allowed. The gross dollar amount by which the taxes were reduced to the School District for fiscal year 2018 was \$6,208.

NOTE 18 – INTERFUND ADVANCES

During fiscal year 2013, the General Fund advanced \$350,000 to the Self-Insurance Fund to subsidize operations. During fiscal year 2012, the General Fund advanced \$300,000 to the Self-Insurance Fund to subsidize operations. During fiscal years 2014, 2015, and 2016, \$100,000, \$300,000, and \$125,000 was repaid, respectively, leaving an outstanding balance of \$125,000 at June 30, 2017. No repayments were issued during fiscal year 2018; therefore, the outstanding balance is still \$125,000.

BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

FEDERAL GRANTOR <i>Pass Through Grantor Program / Cluster Title</i>	Federal CFDA Number	Provided Through to Subrecipients	Total Federal Receipts	Total Federal Non Cash Receipts	Total Federal Expenditures	Total Federal Non Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
School Breakfast Program	10.553		\$ 266,588		\$ 266,588	
National School Lunch Program:						
Non-Cash Assistance (Food Distribution)	10.555			\$ 75,057		\$ 75,057
Cash Assistance	10.555		572,133		572,133	
Total National School Lunch Program			<u>572,133</u>	<u>75,057</u>	<u>572,133</u>	<u>75,057</u>
Total Child Nutrition Cluster and U.S. Department of Agriculture			<u>838,721</u>	<u>75,057</u>	<u>838,721</u>	<u>75,057</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010		873,922		872,584	
Special Education Cluster (IDEA):						
Special Education Grants to States	84.027		537,389		542,362	
Total Special Education Cluster (IDEA)			<u>537,389</u>		<u>542,362</u>	
Rural Education	84.358		46,838		45,991	
English Language Acquisition State Grants	84.365		1,937		1,937	
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367		84,444		86,855	
Student Support and Academic Enrichment Program	84.424		6,790		7,784	
Total U.S. Department of Education			<u>1,551,320</u>		<u>1,557,513</u>	
Total Receipts and Expenditures of Federal Awards			<u>\$ 2,390,041</u>	<u>\$ 75,057</u>	<u>\$ 2,396,234</u>	<u>\$ 75,057</u>

The accompanying notes are an integral part of this schedule.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) includes the federal award activity of Bellefontaine City School District (the School District's) under programs of the federal government for the fiscal year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Receipts and expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



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

Bellefontaine City School District
Logan County
820 Ludlow Road
Bellefontaine, Ohio 43311

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bellefontaine City School District, Logan County, (the School District) as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 24, 2019, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

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www.ohioauditor.gov

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2018-001.

School District's Response to Finding

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings and corrective action plan. We did not subject the School District's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

April 24, 2019



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

Bellefontaine City School District
Logan County
820 Ludlow Road
Bellefontaine, Ohio 43311

To the Board of Education:

Report on Compliance for each Major Federal Program

We have audited the Bellefontaine City School District's (the School District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Bellefontaine City School District's major federal programs for the fiscal year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the School District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the School District's compliance for each of the School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the School 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 each of the School District's major programs. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on each Major Federal Program

In our opinion, the Bellefontaine City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2018.

Report on Internal Control Over Compliance

The School 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 School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio

April 24, 2019

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
2 C.F.R. § 200.515
JUNE 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 C.F.R. § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster CFDA 84.010 - Title I Grants to Local Educational Agencies
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 C.F.R. § 200.520?	No

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

FINDING NUMBER 2018-001

Noncompliance

Ohio Rev. Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

Ohio Admin. Code § 117-2-03(B) further clarifies the requirements of Ohio Rev. Code § 117.38, which requires the School District to file annual financial reports prepared using generally accepted accounting principles (GAAP).

The School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

Pursuant to Ohio Rev. Code § 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report. Failure to report on a GAAP basis compromises the School District's ability to evaluate and monitor the overall financial condition of the School District. To help provide the users with more meaningful financial statements, the School District should prepare its annual financial statements according to generally accepted accounting principles.

Officials' Response:

See Corrective Action Plan on page 74.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
JUNE 30, 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Ohio Rev. Code §117.38 and Ohio Admin. Code §117-2-03(B) – Failure to report on GAAP	Not Corrected and Repeated as Finding 2018-001	Due to the extra costs associated with preparing and filing a GAAP report, the Board of Education has opted to have the District file financial statements formatted similarly to those prescribed by Governmental Accounting Standards Board Statement No. 34, on the basis of cash receipts and cash disbursements, rather than GAAP.

**BELLEFONTAINE CITY SCHOOL DISTRICT
LOGAN COUNTY****CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2018**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	Due to the extra costs associated with preparing and filing a GAAP report, the Board of Education has opted to have the District file financial statements formatted similarly to those prescribed by Governmental Accounting Standards Board Statement No. 34, on the basis of cash receipts and cash disbursements, rather than GAAP.	Reassess Annually	Keith Krieger, Treasurer

OHIO AUDITOR OF STATE
KEITH FABER



BELLEFONTAINE CITY SCHOOL DISTRICT

LOGAN 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
MAY 14, 2019**