BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

OHIO AUDITOR OF STATE
KEITH FABER

BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY
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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bethel Local School District, Miami County, Ohio (the District), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 1 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Bethel Local School District, Miami County, Ohio, as of June 30, 2019 and 2018, and the respective changes in cash financial position thereof for the years then ended in accordance with the accounting basis described in Note 1.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the 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 1 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

February 28, 2020

Bethel Local School District
Miami County, Ohio
Statement of Net Position - Cash Basis
June 30, 2019

	Governmental Activities
Cash Assets:	
Equity in pooled cash, cash equivalents and investments	$ 6,046,235
Total Cash Assets	$ 6,046,235
Net Cash Position:	
Restricted for:	
Capital projects	$ 190,418
Debt service	849,400
Food service operations	211,084
Education grants	1,688
Student activities	92,504
Other purposes	5,108
Unrestricted	4,696,033
Total Net Cash Position	$ 6,046,235

See accompanying notes to the basic financial statements.

Bethel Local School District
Miami County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2019

	Cash Disbursements	Program Cash Receipts: Charges for Services and Sales	Program Cash Receipts: Operating Grants and Contributions	Net (Expenditure) Receipt and Changes in Net Cash Position: Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	$ 5,749,040	$ 318,419	$ 48,563	$ (5,382,058)
Special	1,662,812	65,473	223,398	(1,373,941)
Student intervention services	750	-	-	(750)
Other	563,391	25,397	-	(537,994)
Support Services:				
Pupils	690,724	30,379	88,251	(572,094)
Instructional staff	393,031	6,185	309	(386,537)
Board of education	58,480	-	-	(58,480)
Administration	1,028,368	-	-	(1,028,368)
Fiscal	418,195	-	-	(418,195)
Business	37,801	-	-	(37,801)
Operation and maintenance of plant	1,093,778	-	-	(1,093,778)
Pupil transportation	983,507	-	-	(983,507)
Central	104,302	-	5,400	(98,902)
Operation of non-instructional services	409,649	337,641	158,802	86,794
Extracurricular activities	481,690	138,045	28,081	(315,564)
Capital Outlay	339,405	-	-	(339,405)
Debt Service:				
Principal	568,000	-	-	(568,000)
Interest and fiscal charges	824,510	-	-	(824,510)
Total Governmental Activities	$ 15,407,433	$ 921,539	$ 552,804	(13,933,090)

General Cash Receipts	
Property Taxes Levied for:	
General purposes	3,444,730
Debt service	1,154,183
Capital projects	446,976
Income Taxes Levied for:	
General purposes	1,663,246
Payments in Lieu of Taxes Received for:	
General purposes	1,573,948
Capital projects	674,549
Grants and entitlements not restricted to specific purposes	5,680,560
Interest	130,025
Miscellaneous	158,318
Total General Receipts	14,926,535
Change in Net Cash Position	993,445
Net Cash Position Beginning of Year	5,052,790
Net Cash Position End of Year	$ 6,046,235

See accompanying notes to the basic financial statements.

Bethel Local School District
Miami County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2019

	General	Bond Retirement Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Cash Assets:					
Equity in pooled cash, cash equivalents and investments	$ 3,594,584	$ 849,400	$ 1,101,449	$ 500,802	$ 6,046,235
Total Assets	$ 3,594,584	$ 849,400	$ 1,101,449	$ 500,802	$ 6,046,235
Fund Balances:					
Restricted for:					
Capital projects	$ -	$ -	$ -	$ 190,418	$ 190,418
Debt service	-	849,400	-	-	849,400
Food service operations	-	-	-	211,084	211,084
Student activities	-	-	-	92,504	92,504
State/Federal education grants	-	-	-	1,688	1,688
Other purposes	-	-	-	5,108	5,108
Committed for:					
Capital projects	-	-	1,101,449	-	1,101,449
Assigned for:					
School activities	55,757	-	-	-	55,757
Future expenditures	178,469	-	-	-	178,469
Subsequent appropriations	89,243	-	-	-	89,243
Unassigned	3,271,115	-	-	-	3,271,115
Total Fund Balances	$ 3,594,584	$ 849,400	$ 1,101,449	$ 500,802	$ 6,046,235

See accompanying notes to the basic financial statements.

Bethel Local School District
Miami County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General	Bond Retirement Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Cash Receipts:					
Property and other local taxes	$ 3,444,730	$ 1,154,183	$ -	$ 446,976	$ 5,045,889
Income tax	1,663,246	-	-	-	1,663,246
Payments in lieu of taxes	1,573,948	-	674,549	-	2,248,497
Intergovernmental	5,507,056	36,622	69,710	597,072	6,210,460
Interest	128,379	-	-	1,646	130,025
Tuition and fees	407,698	-	-	-	407,698
Extracurricular activities	38,155	-	-	138,045	176,200
Customer sales and services	-	-	-	337,641	337,641
Gifts and donations	2,076	-	-	20,828	22,904
Miscellaneous	140,013	-	-	18,175	158,188
Total Receipts	12,905,301	1,190,805	744,259	1,560,383	16,400,748
Cash Disbursements:					
Current:					
Instruction:					
Regular	5,579,329	-	-	169,711	5,749,040
Special	1,452,412	-	-	210,400	1,662,812
Student intervention services	750	-	-	-	750
Other	563,391	-	-	-	563,391
Support Services:					
Pupils	608,374	-	-	82,350	690,724
Instructional staff	391,298	-	-	1,733	393,031
Board of education	58,480	-	-	-	58,480
Administration	1,022,892	-	-	5,476	1,028,368
Fiscal	393,607	17,170	-	7,418	418,195
Business	1,884	-	-	35,917	37,801
Operation and maintenance of plant	1,057,192	-	-	36,586	1,093,778
Pupil transportation	748,926	-	-	234,581	983,507
Central	98,902	-	-	5,400	104,302
Operation of non-instructional services	-	-	-	409,649	409,649
Extracurricular activities	294,432	-	-	187,258	481,690
Capital Outlay	31,344	-	-	308,061	339,405
Debt Service:					
Principal	-	535,000	-	33,000	568,000
Interest and fiscal charges	-	791,156	-	33,354	824,510
Total Disbursements	12,303,213	1,343,326	-	1,760,894	15,407,433
Excess of Receipts Over(Under) Disbursements	602,088	(152,521)	744,259	(200,511)	993,315
Other Financing Sources (Uses):					
Proceeds from sale of capital assets	130	-	-	-	130
Advances in	57,500	-	-	40,000	97,500
Advances out	(40,000)	-	-	(57,500)	(97,500)
Total Other Financing Sources (Uses)	17,630	-	-	(17,500)	130
Net Change in Fund Balance	619,718	(152,521)	744,259	(218,011)	993,445
Fund Balance, Beginning of Year	2,974,866	1,001,921	357,190	718,813	5,052,790
Fund Balance, End of Year	$ 3,594,584	$ 849,400	$ 1,101,449	$ 500,802	$ 6,046,235

See accompanying notes to the basic financial statements.

Bethel Local School District
Miami County, Ohio
Statement of Fiduciary Net Position - Cash Basis
June 30, 2019

	Private Purpose Trust Funds	Agency Fund
Cash Assets:		
Equity in pooled cash, cash equivalents and investments	$ 80,007	$ 27,473
Total Cash Assets	$ 80,007	$ 27,473
Net Cash Position	$ 80,007	$ 27,473

See accompanying notes to the basic financial statements.

Bethel Local School District
Miami County, Ohio
Statement of Change in Fiduciary Net Position - Cash Basis
Private Purpose Trust Funds
For the Fiscal Year Ended June 30, 2019

		Private Purpose Trust Funds
Additions:		
Gifts and contributions	$	2,844
Interest earnings		1,470
Total Additions		4,314
Deductions:		
Payments in accordance with trust agreements		3,533
Total Deductions		3,533
Change in Net Cash Position		781
Net Cash Position, Beginning of Year		79,226
Net Cash Position, End of Year	$	80,007

See accompanying notes to the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity
The Bethel Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is governed by a locally elected five-member Board of Education (the Board) which provides educational services.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) requirements that the financial statements include all organizations, activities, functions and component units for which the School District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization and either the School District's ability to impose its will over the organization will provide a financial benefit to, or impose a financial burden on the School District. There were no potential component units that met the applicable criteria to be included in the School District's reporting entity. Based on the foregoing, the reporting entity of the School District includes the following services: instruction (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant GASB pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The following are the more significant of the School District's accounting policies.

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

Government-Wide Financial Statements
The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net position presents the cash balance of the governmental activities of the School District at 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 School District 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 needs 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 on a cash basis or draws from the School District's general receipts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 various funds of the School District are grouped into the categories governmental and fiduciary.

Governmental Funds
The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the School District's major governmental funds:

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

Bond Retirement Fund – This fund accounts for and reports the accumulation of restricted resources and the payment of long-term obligations, specifically the general obligation bonds.

Capital Projects Fund – This fund accounts for the resources committed for future capital projects received through payment in lieu of taxes agreements with local units of governments.

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

Fiduciary Funds
The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust that accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal cash net position) and do not involve measurement of results of operations. The School District's agency fund accounts for numerous student managed activities.

Basis of Accounting
The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are reported when cash is paid rather than when a liability is incurred.

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 and provided services not yet collected) and certain liabilities (such as accounts payable and expenses for goods and services received but not yet paid, and certain accrued expenses and liabilities) are not recorded in the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents 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. Each fund's interest in the pool is presented as "Equity in pooled cash, cash equivalents, and investments". All investments of the cash management pool are considered to be cash and cash equivalents for financial reporting purposes.

During fiscal year 2019, investments included money market mutual funds and State Treasury Asset Reserve of Ohio (STAR Ohio). Investments, with the exception of STAR Ohio, are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, "Certain External Investment Pools and Participants". The School District measures their 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 the NAV per share that approximates fair value.

For fiscal year 2019, 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 or all deposits or withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participants will be combined for these purposes.

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 2019 amounted to $128,379 which includes the general fund's allocation as well as the allocation of all funds not specified in the Board's resolution.

Budgetary Process
All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget indicates the projected receipts and disbursements for those funds receiving tax monies. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the legal level of control selected by the Board. The legal level of control has been established by the Board at the fund, function level for all funds. Budgetary allocations at levels below the legal level of control are made by the Treasurer.

The appropriation resolution is subject to amendment by the Board throughout the school year with the restriction that appropriations may not exceed estimated revenues. The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the School District.

Capital Assets
Acquisition of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Obligations

Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest are reported when disbursements are made. The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

Pension Systems

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

Net Position

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The School District's policy is to first apply restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

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

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. The School District did not have any fund balance classified as nonspendable at fiscal year-end.

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The School District applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Interfund Activity

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. If there is an intention for repayment, the flows of cash or goods between funds are reported as interfund advances. Both interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statement.

NOTE 2 - COMPLIANCE

Ohio Administrative Code, Section 117-2-03(B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statement on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, deferred inflows/outflows, net position/fund balances, and disclosures that, while material, cannot be determined at this time.

NOTE 3 - DEPOSITS AND INVESTMENTS

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

Active Monies – These monies are 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 Monies – These monies have been identified by the Board of Education as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposits maturing no 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 – These monies 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 five years from the date of deposit or by savings or deposit accounts, including passbook accounts.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposits or savings or deposits accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

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

Deposits
Custodial credit risk is the risk that in the event of bank failure, the School District's deposits may not be returned to it. Protection of the School District's deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. By Ohio law, financial institutions must collateralize all public deposits as follows:

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

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

At fiscal year end, the carrying amount of the School District's deposits was $49,742, including $25 of cash on hand, and the bank balance was $242,095, which was entirely covered by Federal depository insurance at that date.

Investments
The School District's investments at June 30, 2019 included $6,101,177 of money market accounts and $2,796 of deposits in STAR Ohio; all of which matured within one year.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The School District's investment policy authorizes the Treasurer to make investments of available monies from the funds of the School District in securities authorized by State law.

Interest Rate Risk – The Ohio Revised Code and School District policy require that investments mature within five (5) years of settlement date, unless they are matched to a specific obligation or debt of the School District.

Credit Risk – The School District policy has no policy limiting investments based on credit risk other than those established by State law.

Concentration of Credit Risk – The School District's policy limits investment in commercial paper and bankers' acceptances to 25 percent of the total investment portfolio at the time of purchase. At June 30, 2019 the School District's investment in money market accounts represented 99.9 percent of its investment portfolio.

Custodial Credit Risk – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Based on Standard and Poor's STAR Ohio has a AAAm rating. The money market account is covered FDIC insurance through the Insured Cash Sweep Network.

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property located in the School District. Real property taxes collected during 2019 were levied after April 1, 2018 on assessed values as of January 1, 2018, the lien date.

Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2013. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable on June 20.

Public utility tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public tangible personal property is currently assessed at 100 percent of its true value. Public utility personal property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the School District. The County Auditor periodically remits to the School District its portion of the taxes collected.

The tax rate per $1,000 of assessed valuation was $61.72 and the assessed values upon which the fiscal year 2019 receipts were based are as follows:

	2019 First Half Collections	2018 First Half Collections
Agricultural, residential, and other real property	$ 149,898,340	$ 148,214,320
Public utility personal property	4,277,200	4,087,110
Total	$ 154,175,540	$ 152,301,430

NOTE 5 - INCOME TAXES

The School District levies a 0.75 percent, earned income tax levy approved by voters of the School District in fiscal year 2010. Income taxes are paid into the General Fund and used for general operating purposes.

Employers of residents are required to withhold income tax on compensation and remit the tax to the State Department of Taxation. Taxpayers are required to file an annual return. The State Department of Taxation makes quarterly distributions to the school districts after withholding amounts for administrative fees and estimated refunds.

NOTE 6 - RISK MANAGEMENT

Property and Liability:

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

During fiscal year 2019, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 11). The School District contracts for automobile liability, education general liability and employee liability with OSP.

Insurance coverage provided includes the following:

Building and Contents - replacement cost ($1,000 deductible)	$ 47,656,591
Automobile Liabillity ($1,000 deductible)	2,000,000
Uninsured Motorists ($1,000 deductible)	250,000
School Errors & Omissions Liability ($2,500 deductible)	2,000,000
General Liability:	
Per occurance	2,000,000
Annual aggregate	4,000,000
Umbrella Liability	2,000,000

The School District has not reduced its coverage nor have there been claims in excess of liability limits in the past three years.

Workers' Compensation:

For fiscal year 2019, the School District participated in the Southwestern Ohio Educational Purchasing Council of Worker's Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (see Note 11). The intent of the GRP 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 GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

NOTE 6 - RISK MANAGEMENT (continued)

Medical Benefits:
In fiscal year 2019, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (see Note 11). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated, and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

NOTE 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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB Statement No. 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)
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.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - School Employees Retirement System (SERS) **(continued)**
Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% 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% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.50%, with the remaining 0.50% of the 14% employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required pension contributions to SERS was $176,853 for fiscal year 2019.

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at 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.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

***Plan Description - State Teachers Retirement System (STRS)* (continued)**
The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47% of the 14% 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 2% goes the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with 5 years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 or later.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB Statement No. 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 the fiscal year ended June 30, 2019, plan members were required to contribute 14% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School District's contractually required pension contributions to STRS was $658,768 for fiscal year 2019.

Net Pension Liability
The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the School District's proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$ 2,190,018	$ 8,108,303	$ 10,298,321
Proportion of the Net Pension Liability:			
Current Year	0.0382390%	0.03687645%	
Prior Year	0.0370800%	0.03577909%	
Change in Proportionate Share	0.0011590%	0.00109736%	

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 consider the employee's entire career with the employer and take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Inflation	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.50 percent on and after April 1, 2018, COLA's for future retirees will be delayed for three years following retirement.
Investment rate of return	7.50 percent of net investment expense, including inflation
Actuarial cost method	Entry Age Normal

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

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

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

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

***Actuarial Assumptions – SERS* (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	100.00%	

Discount Rate – Total pension liability was calculated using the discount rate of 7.5%. 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 (7.5%). 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 7.5%, 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 (6.5%), or one percentage point higher (8.5%) 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	$ 3,084,806	$ 2,190,018	$ 1,439,799

Actuarial Assumptions - STRS

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

Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Investment rate of return, including inflation	7.45%, net of investment expenses
Discount rate of return	7.45%
Cost-of-living adjustments (COLA)	0.00%

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

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

***Actuarial Assumptions – STRS* (continued)**
The actuarial assumptions were based on the results of an actual experience study for the period July 1, 2011 through June 30, 2016.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
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	100.00%	

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

Discount Rate – The discount rate used to measure the total pension liability was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes 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. 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, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45%, 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%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$ 11,841,110	$ 8,108,303	$ 4,948,989

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

Net OPEB Liability

OPEB are 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 obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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, health care cost trend rates and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB Statement No. 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)

The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB Statement No. 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.

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

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (continued)

***Plan Description - School Employees Retirement System (SERS)* (continued)**
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% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5% of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, the minimum compensation amount was $21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was $19,342.

The surcharge added to the 0.5% allocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was $25,892 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)
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% of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Asset/Liability
The net OPEB asset/liability was measured as of June 30, 2018, and the total OPEB asset/liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB asset/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 School District's proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net OPEB Asset/(Liability)	$ (1,067,237)	$ 592,567	$ (474,670)
Proportion of the Net OPEB Asset/(Liability):			
Current Year	0.0384691%	0.03687645%	
Prior Year	0.0373667%	0.03577909%	
Change in Proportionate Share	0.0011024%	0.00109736%	

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (continued)

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 consider the employee's entire career with the employer and take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Investment rate of return	7.50% of net investment expense, including inflation
Wage inflation	3.00%
Future salary increases, including inflation	3.50% to 18.20%
Municipal bond index rate:	
Prior measurement date	3.56%
Measurement date	3.62%
Single equivalent interest rate, net of plan investment expense, including price inflation:	
Prior measurement date	3.63%
Measurement date	3.70%
Medical Trend Assumption:	
Pre-Medicare	7.25% - 4.75%
Medicare	5.375% - 4.75%

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

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50%, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (continued)

***Actuarial Assumptions – SERS* (continued)**

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 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 in the following table:

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	100.00%	

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

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Healthcare 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 calculated using the discount rate of 3.70%, as well as what each plan's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70%), or one percentage point higher (4.70%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Rate	2.70%	3.70%	4.70%
School District's proportionate share of the net OPEB liability	$ 1,295,008	$ 1,067,237	$ 886,885

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (continued)

***Actuarial Assumptions – SERS* (continued)**
The following table presents the net OPEB liability calculated using the current health care cost trend rates, as well as what each plan's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current rates.

	1% Decrease	Current Trend Rate	1% Increase
Rate	6.25% decreasing to 3.75%	7.25% decreasing to 4.75%	8.25% decreasing to 5.75%
School District's proportionate share of the net OPEB liability	$ 861,064	$ 1,067,237	$ 1,340,246

Actuarial Assumptions - STRS
The total OPEB asset in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Salary increases	12.50% at age 20 to 2.50% at age 65	
Payroll increases	3.00%	
Investment rate of return	7.45%, net of investment expenses, including inflation	
Discount rate of return	7.45%	
Health care cost trends:	Initial	Ultimate
Medical:		
Pre-Medicare	6.50%	4.00%
Medicare	5.00%	4.00%
Prescription Drug		
Pre-Medicare	8.00%	4.00%
Medicare	-5.23%	4.00%

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

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

Since the prior measurement date, the discount rate was increased from 4.13% to 7.45% based on the methodology defined under GASB Statement No. 74*, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Also, since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

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:

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (continued)

Actuarial Assumptions - STRS (continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
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	100.00%	

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

Discount Rate – The discount rate used to measure the total OPEB asset was 7.45% as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan assets of 7.45% was used to measure the total OPEB liability as of June 30, 2018.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and the Healthcare Cost Trend Rates – The following table presents the School District's proportionate share of the net OPEB asset calculated using the current period discount rate assumption of 7.45%, as well as what the School District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45%) and one percentage point higher (8.45%) than the current rate. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates:

	1% Decrease	Current Discount Rate	1% Increase
Rate	6.45%	7.45%	8.45%
School District's proportionate share of the net OPEB asset	$ 507,885	$ 592,567	$ 663,738

	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
School District's proportionate share of the net OPEB asset	$ 659,720	$ 592,567	$ 524,368

NOTE 9 - LONG-TERM DEBT OBLIGATIONS
The activity of the School District's long-term debt obligations during fiscal year 2019 was as follows:

	Amount Outstanding June 30, 2018	Increase	Decrease	Amount Outstanding June 30, 2019	Amount Due Within One Year
General Obligation Bonds:					
2014-A School Improvement Bond					
Serial Interest (1.0%-4.25%)	$ 3,080,000	$ -	$ (300,000)	$ 2,780,000	$ 325,000
Term Interest (4.0%-4.5%)	8,710,000	-	-	8,710,000	-
Capital Appreciation	109,999	-	-	109,999	-
2014-B School Improvement Bond					
Serial Interest (1.0%-4.25%)	1,635,000	-	(235,000)	1,400,000	255,000
Term Interest (4.0%-4.5%)	7,255,000	-	-	7,255,000	-
Capital Appreciation	40,000	-	-	40,000	-
Total General Obligation Bonds	20,829,999	-	(535,000)	20,294,999	580,000
Capital Leases	654,000	-	(33,000)	621,000	35,000
Total Governmental Activities	$ 21,483,999	$ -	$ (568,000)	$ 20,915,999	$ 615,000

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

The 2014 series-A capital appreciation bonds have a combined maturity value of $455,000 and are set to mature on November 1, 2020 and November 1, 2021. The 2014 series-B capital appreciation bonds have a combined maturity value of $250,000 and are set to mature on November 1, 2020 and November 1, 2021.

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

Fiscal Year	Principal	Interest	Compounded Interest	Total
2020	$ 580,000	$ 781,663	$ -	$ 1,361,663
2021	361,027	773,306	268,973	1,403,306
2022	63,972	770,431	286,028	1,120,431
2023	350,000	765,181	-	1,115,181
2024	360,000	754,531	-	1,114,531
2025-2029	2,000,000	3,557,875	-	5,557,875
2030-2034	2,430,000	3,119,706	-	5,549,706
2035-2039	2,985,000	2,550,188	-	5,535,188
2040-2044	3,645,000	1,889,256	-	5,534,256
2045-2049	4,415,000	1,095,325	-	5,510,325
2050-2052	3,105,000	192,909	-	3,297,909
Total	$ 20,294,999	$ 16,250,371	$ 555,001	$ 37,100,371

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

Capital Lease Obligation
The capital lease was used to purchase 132 acres of land adjacent to the current school facilities location with the intent of building new school buildings in the future. Lease payments are made out of the permanent improvement fund (other governmental funds). The School District's capital lease requirements to maturity are as follows:

Fiscal Year	Minimum Lease Payment
2020	$ 66,628
2021	66,789
2022	66,841
2023	65,807
2024	65,688
2025-2029	329,933
2030-2032	194,773
Total minimum lease payments	856,459
Less: Amount representing interest	(235,459)
Total present value of minimum lease payments	$ 621,000

NOTE 10 – JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association
The School District is a member of the Metropolitan Educational Technology Association (META). META is an association of public school districts in a geographical area determined by the Ohio Department of Education. META was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. The School District paid META $54,685 for services provided during the fiscal year. Financial information can be obtained from Dave Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio, 43302.

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2019, the School District did not make any payments to SOEPC, except for insurance premiums noted in Note 11. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center, Suite 208, Vandalia, Ohio 45377.

NOTE 11 - INSURANCE PURCHASING POOL

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

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

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

NOTE 12 - CONTINGENCIES

Grants
The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2019, if applicable, cannot be determined at this time.

Litigation
There were currently no matters in litigation with the School District as defendant.

NOTE 13 – CAPITAL IMPROVEMENT SET-ASIDE

The School District is required by State statute to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year. The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

NOTE 13 – CAPITAL IMPROVEMENT SET-ASIDE (continued)

	Capital Improvements
Set-aside reserve balance as of June 30, 2018	$ -
Current year set-aside requirement	249,643
Current year offsets:	
Permanent Improvement Levy	(514,148)
Total	$ (264,505)
Balance carried forward to fiscal year 2020	$ -
Set-aside balance June 30, 2019	$ -

The School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to zero for the capital improvements set-aside.

NOTE 14 - COMMITMENTS

Encumbrances

At year end the School District had the following amounts encumbered for future purchase obligations:

Fund	Year-End Encumbrances
General Fund	$ 181,486
Non-major Governmental Funds	129,497
	$ 310,983

NOTE 15 – INTERFUND TRANSFERS

During fiscal year 2019, the General Fund advanced $40,000 to the Title VI-B Grant special revenue fund (nonmajor governmental fund) to provide temporary resources to operating grant activities until resources are received. This advance will be repaid to the General Fund in the subsequent fiscal year when grant funding is received. The General Fund also received repayment of advanced made in the prior year amounting to $52,000 and $5,500, respectively, from the Title VI-B Grant and Title I Grant special revenue funds (nonmajor governmental funds).

NOTE 16 – TAX ABATEMENTS

During fiscal year 2019, the School District's property tax receipts were reduced by $99,989 under two Community Reinvestment Area (CRA) agreements entered into by the City of Huber Heights. Under Ohio Revised Code Sections 3735 and 5709, municipalities may offer a property tax incentive to an individual or entity for improvements within certain targeted areas. The CRA program abates 100 percent of the additional property tax resulting from the increase in assessed value as a result of the improvements, which are administered as a reduction in the property tax bill, for a period not to exceed 15 years.

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2019, the School District implemented GASB Statements No. 83, *Certain Asset Retirement Obligations* and No. 88, *Certain Disclosures Related Debt, Including Direct Borrowings and Direct Placements*.

GASB Statement No. 83 establishes uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs), including obligations that may not have been previously reported, including certain required disclosures related to AROs. The implementation of this Standard had no impact on the School District's financial statements for fiscal year 2019.

GASB Statement No. 88 improves financial reporting by enhancing the disclosures in the notes to the financial statements related to debt obligations, including direct borrowings and direct placements. The Standard also establishes uniform guidance in determining debt obligations for disclosure purposes. The implementation of this Standard had no impact on the School District's financial statements for fiscal year 2019.

NOTE 18 – SUBSEQUENT EVENT

In July 2019, the School District entered into a lease-purchase agreement with a financial institution to finance the acquisition of four (4) new school bus. The principal portion of the agreement is for $321,880 and will have annual payments due in fiscal 2020 through 2023. Interest rate on the agreement is 4.40%.

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Bethel Local School District
Miami County, Ohio
Statement of Net Position - Cash Basis
June 30, 2018

	Governmental Activities
Cash Assets:	
Equity in pooled cash, cash equivalents and investments	$ 5,052,790
Total Cash Assets	$ 5,052,790
Net Cash Position:	
Restricted for:	
Capital projects	$ 478,917
Debt service	1,001,921
Food service operations	123,744
Education grants	1,756
Student activities	97,421
Other purposes	16,975
Unrestricted	3,332,056
Total Net Cash Position	$ 5,052,790

See accompanying notes to the basic financial statements.

Bethel Local School District
Miami County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2018

	Cash Disbursements	Program Cash Receipts: Charges for Services and Sales	Program Cash Receipts: Operating Grants and Contributions	Net (Expenditure) Receipt and Changes in Net Cash Position: Governmental Activities
Governmental Activities				
Current:				
Instruction:				
Regular	$ 5,507,188	$ 348,522	$ 63,071	$ (5,095,595)
Special	1,385,044	68,106	157,986	(1,158,952)
Student intervention services	57,981	-	-	(57,981)
Other	558,928	32,414	-	(526,514)
Support Services:				
Pupils	631,462	34,019	43,208	(554,235)
Instructional staff	325,936	5,672	310	(319,954)
Board of education	111,114	-	-	(111,114)
Administration	1,018,024	-	-	(1,018,024)
Fiscal	403,339	-	-	(403,339)
Business	40,238	-	-	(40,238)
Operation and maintenance of plant	1,103,105	-	-	(1,103,105)
Pupil transportation	822,320	-	-	(822,320)
Central	173,928	-	5,400	(168,528)
Operation of non-instructional services	342,990	278,155	134,015	69,180
Extracurricular activities	416,903	103,253	4,129	(309,521)
Capital Outlay	3,612,788	-	-	(3,612,788)
Debt Service:				
Principal	522,000	-	-	(522,000)
Interest and fiscal charges	833,835	-	-	(833,835)
Total Governmental Activities	$ 17,867,123	$ 870,141	$ 408,119	(16,588,863)

General Cash Receipts	
Property Taxes Levied for:	
General purposes	3,477,556
Debt service	1,166,094
Capital projects	451,790
Income Taxes Levied for:	
General purposes	1,506,734
Payments in Lieu of Taxes Received for:	
General purposes	1,502,411
Capital projects	324,526
Grants and entitlements not restricted to specific purposes	5,354,035
Interest	64,055
Miscellaneous	138,894
Total General Receipts	13,986,095
Change in Net Cash Position	(2,602,768)
Net Cash Position Beginning of Year	7,655,558
Net Cash Position End of Year	$ 5,052,790

See accompanying notes to the basic financial statements.

Bethel Local School District
Miami County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2018

	General	Bond Retirement Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Cash Assets:					
Equity in pooled cash, cash equivalents and investments	$ 2,974,866	$ 1,001,921	$ 209,488	$ 866,515	$ 5,052,790
Total Assets	$ 2,974,866	$ 1,001,921	$ 209,488	$ 866,515	$ 5,052,790
Fund Balances:					
Restricted for:					
Capital projects	$ -	$ -	$ 209,488	$ 269,429	$ 478,917
Debt service	-	1,001,921	-	-	1,001,921
Food service operations	-	-	-	123,744	123,744
Student activities	-	-	-	97,421	97,421
State/Federal education grants	-	-	-	1,756	1,756
Other purposes	-	-	-	16,975	16,975
Committed for:					
Capital projects	-	-	-	357,190	357,190
Assigned for:					
School activities	47,342	-	-	-	47,342
Future expenditures	283,281	-	-	-	283,281
Unassigned	2,644,243	-	-	-	2,644,243
Total Fund Balances	$ 2,974,866	$ 1,001,921	$ 209,488	$ 866,515	$ 5,052,790

See accompanying notes to the basic financial statements.

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Bond Retirement Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Cash Receipts:					
Property and other local taxes	$ 3,477,556	$ 1,166,094	$ -	$ 451,790	$ 5,095,440
Income tax	1,506,734	-	-	-	1,506,734
Payments in lieu of taxes	1,502,411	-	-	324,526	1,826,937
Intergovernmental	5,217,573	36,980	-	501,306	5,755,859
Interest	52,863	-	11,192	-	64,055
Tuition and fees	455,595	-	-	-	455,595
Extracurricular activities	33,138	-	-	103,253	136,391
Customer sales and services	-	-	-	278,155	278,155
Gifts and donations	2,166	-	-	4,129	6,295
Miscellaneous	120,612	-	200	15,288	136,100
Total Receipts	12,368,648	1,203,074	11,392	1,678,447	15,261,561
Cash Disbursements:					
Current:					
Instruction:					
Regular	5,087,284	-	350,393	69,511	5,507,188
Special	1,174,374	-	-	210,670	1,385,044
Student intervention services	57,981	-	-	-	57,981
Other	558,928	-	-	-	558,928
Support Services:					
Pupils	581,838	-	-	49,624	631,462
Instructional staff	323,828	-	-	2,108	325,936
Board of education	111,114	-	-	-	111,114
Administration	1,017,384	-	-	640	1,018,024
Fiscal	378,311	17,482	-	7,546	403,339
Business	6,327	-	-	33,911	40,238
Operation and maintenance of plant	1,082,115	-	-	20,990	1,103,105
Pupil transportation	716,361	-	-	105,959	822,320
Central	168,528	-	-	5,400	173,928
Operation of non-instructional services	-	-	-	342,990	342,990
Extracurricular activities	271,080	-	-	145,823	416,903
Capital Outlay	429,436	-	2,852,166	331,186	3,612,788
Debt Service:					
Principal	-	490,000	-	32,000	522,000
Interest and fiscal charges	-	798,843	-	34,992	833,835
Total Disbursements	11,964,889	1,306,325	3,202,559	1,393,350	17,867,123
Excess of Receipts Over(Under) Disbursements	403,759	(103,251)	(3,191,167)	285,097	(2,605,562)
Other Financing Sources (Uses):					
Insurance recoveries	2,169	-	-	-	2,169
Proceeds from sale of capital assets	625	-	-	-	625
Advances in	-	-	-	57,500	57,500
Advances out	(57,500)	-	-	-	(57,500)
Transfers in	-	209,644	-	50,620	260,264
Transfers out	(260,264)	-	-	-	(260,264)
Total Other Financing Sources (Uses)	(314,970)	209,644	-	108,120	2,794
Net Change in Fund Balance	88,789	106,393	(3,191,167)	393,217	(2,602,768)
Fund Balance, Beginning of Year	2,886,077	895,528	3,400,655	473,298	7,655,558
Fund Balance, End of Year	$ 2,974,866	$ 1,001,921	$ 209,488	$ 866,515	$ 5,052,790

See accompanying notes to the basic financial statements.

Bethel Local School District
Miami County, Ohio
Statement of Fiduciary Net Position - Cash Basis
June 30, 2018

	Private Purpose Trust Funds	Agency Fund
Cash Assets:		
Equity in pooled cash, cash equivalents and investments	$ 79,226	$ 27,875
Total Cash Assets	$ 79,226	$ 27,875
Net Cash Position	$ 79,226	$ 27,875

See accompanying notes to the basic financial statements.

Bethel Local School District
Miami County, Ohio
Statement of Change in Fiduciary Net Position - Cash Basis
Private Purpose Trust Funds
For the Fiscal Year Ended June 30, 2018

		Private Purpose Trust Funds
Additions:		
Gifts and contributions	$	1,830
Interest earnings		1,127
Total Additions		2,957
Deductions:		
Payments in accordance with trust agreements		2,139
Total Deductions		2,139
Change in Net Cash Position		818
Net Cash Position, Beginning of Year		78,408
Net Cash Position, End of Year	$	79,226

See accompanying notes to the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity
The Bethel Local School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District is governed by a locally elected five-member Board of Education (the Board) which provides educational services.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) requirements that the financial statements include all organizations, activities, functions and component units for which the School District (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization and either the School District's ability to impose its will over the organization will provide a financial benefit to, or impose a financial burden on the School District. There were no potential component units that met the applicable criteria to be included in the School District's reporting entity. Based on the foregoing, the reporting entity of the School District includes the following services: instruction (regular, special education, vocational), student guidance, extracurricular activities, food service, pupil transportation and care and upkeep of grounds and buildings.

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant GASB pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. The following are the more significant of the School District's accounting policies.

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

Government-Wide Financial Statements
The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net position presents the cash balance of the governmental activities of the School District at 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 School District 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 needs 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 on a cash basis or draws from the School District's general receipts.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 various funds of the School District are grouped into the categories governmental and fiduciary.

Governmental Funds
The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The following are the School District's major governmental funds:

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

Bond Retirement Fund – This fund accounts for and reports the accumulation of restricted resources and the payment of long-term obligations, specifically the general obligation bonds.

Building Fund – This fund is to account for the proceeds of debt issued by the School District to provide for the construction of new, and renovations of existing, facilities.

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

Fiduciary Funds
The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust that accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal cash net position) and do not involve measurement of results of operations. The School District's agency fund accounts for numerous student managed activities.

Basis of Accounting
The School District's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are reported when cash is paid rather than when a liability is incurred.

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 and provided services not yet collected) and certain liabilities (such as accounts payable and expenses for goods and services received but not yet paid, and certain accrued expenses and liabilities) are not recorded in the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents 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. Each fund's interest in the pool is presented as "Equity in pooled cash, cash equivalents, and investments". All investments of the cash management pool are considered to be cash and cash equivalents for financial reporting purposes.

During fiscal year 2018, investments included money market mutual funds and State Treasury Asset Reserve of Ohio (STAR Ohio). Investments, with the exception of STAR Ohio, are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted GASB Statement No. 79, "Certain External Investment Pools and Participants". The School District measures their 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 the 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 or all deposits or 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 participants will be combined for these purposes.

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 amounted to $52,863 which includes the general fund's allocation as well as the allocation of all funds not specified in the Board's resolution.

Budgetary Process
All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget indicates the projected receipts and disbursements for those funds receiving tax monies. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the legal level of control selected by the Board. The legal level of control has been established by the Board at the fund, function level for all funds. Budgetary allocations at levels below the legal level of control are made by the Treasurer.

The appropriation resolution is subject to amendment by the Board throughout the school year with the restriction that appropriations may not exceed estimated revenues. The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the School District.

Capital Assets
Acquisition of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Obligations
Cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest are reported when disbursements are made.

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

Net Position
Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The School District's policy is to first apply restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted net position is available.

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

Nonspendable - The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. The School District did not have any fund balance classified as nonspendable at fiscal year-end.

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The School District applies restricted resources first when disbursements 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 disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Interfund Activity
Transfers and advances within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. If there is an intention for repayment, the flows of cash or goods between funds are reported as interfund advances. Both interfund transfers and advances are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statement.

NOTE 2 - COMPLIANCE
Ohio Administrative Code, Section 117-2-03(B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statement on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, deferred outflows/inflows, net position/fund balances, and disclosures that, while material, cannot be determined at this time.

NOTE 3 - DEPOSITS AND INVESTMENTS
Monies held by the School District are classified by State statute into three categories.

Active Monies – These monies are 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 Monies – These monies have been identified by the Board of Education as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposits maturing no 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 – These monies 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 five years from the date of deposit or by savings or deposit accounts, including passbook accounts.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposits or savings or deposits accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

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

Deposits
Custodial credit risk is the risk that in the event of bank failure, the School District's deposits may not be returned to it. Protection of the School District's deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. By Ohio law, financial institutions must collateralize all public deposits as follows:

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

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

At fiscal year end, the carrying amount of the School District's deposits was $128,513, including $25 of cash on hand, and the bank balance was $397,430. Federal depository insurance covered $294,399 of the bank balance at year end with the remaining $103,031 secured by pledged collateral as described above.

Investments
The School District's investments at June 30, 2018 included $5,028,648 of money market accounts and $2,730 of deposits in STAR Ohio; all of which matured within one year.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

The School District's investment policy authorizes the Treasurer to make investments of available monies from the funds of the School District in securities authorized by State law.

Interest Rate Risk – The Ohio Revised Code and School District policy require that investments mature within five (5) years of settlement date, unless they are matched to a specific obligation or debt of the School District.

Credit Risk – The School District policy has no policy limiting investments based on credit risk other than those established by State law.

Concentration of Credit Risk – The School District's policy limits investment in commercial paper and bankers' acceptances to 25 percent of the total investment portfolio at the time of purchase. At June 30, 2018 the District's investment in money market accounts represented 99.9 percent of its investment portfolio.

Custodial Credit Risk – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Based on Standard and Poor's STAR Ohio has a AAAm rating. The money market accounts are not rated.

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property located in the School District. Real property taxes collected during 2018 were levied after April 1, 2017 on assessed values as of January 1, 2017, the lien date.

Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2013. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable on June 20.

Public utility tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public tangible personal property is currently assessed at 100 percent of its true value. Public utility personal property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the School District. The County Auditor periodically remits to the School District its portion of the taxes collected.

The tax rate per $1,000 of assessed valuation was $61.77 and the assessed values upon which the fiscal year 2018 receipts were based are as follows:

	2018 First Half Collections	2017 Second Half Collections
Agricultural, residential, and other real property	$ 148,214,320	$ 151,970,700
Public utility personal property	4,087,110	3,917,410
Total	$ 152,301,430	$ 155,888,110

NOTE 5 - INCOME TAXES

The School District levies a 0.75 percent, earned income tax levy approved by voters of the School District in fiscal year 2010. Income taxes are paid into the General Fund and used for general operating purposes.

Employers of residents are required to withhold income tax on compensation and remit the tax to the State Department of Taxation. Taxpayers are required to file an annual return. The State Department of Taxation makes quarterly distributions to the school districts after withholding amounts for administrative fees and estimated refunds.

NOTE 6 - RISK MANAGEMENT

Property and Liability:

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

During fiscal year 2018, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 11). The School District contracts for automobile liability, education general liability and employee liability with OSP.

Insurance coverage provided includes the following:

Building and Contents - replacement cost ($1,000 deductible)	$ 47,476,991
Automobile Liabillity ($1,000 deductible)	2,000,000
Uninsured Motorists ($1,000 deductible)	250,000
School Errors & Omissions Liability	2,000,000
General Liability:	
Per occurance	2,000,000
Annual aggregate	4,000,000
Umbrella Liability	2,000,000

The School District has not reduced its coverage nor have there been claims in excess of liability limits in the past three years.

Workers' Compensation:

For fiscal year 2018, the School District participated in the Southwestern Ohio Educational Purchasing Council Worker's Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (see Note 11). The intent of the GRP 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 GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

NOTE 6 - RISK MANAGEMENT (continued)

Medical Benefits:
In fiscal year 2018, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (see Note 11). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

NOTE 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 obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB Statement No. 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)
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.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

***Plan Description - School Employees Retirement System (SERS)* (continued)**
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	Age 65 with 5 years of service credit; or any age with 30 years of service credit	Age 67 with 10 years of service credit; or age 57 with 30 years of service credit
Actuarially reduced benefits	Age 60 with 5 years of service credit; or age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or age 60 with 25 years of service credit

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

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

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

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% 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% for plan members and 14% 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 13.50% of annual covered payroll.

The School District's contractually required pension contributions to SERS was $168,706 for fiscal year 2018.

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2% of the original base benefit. For members retiring August 1, 2013, or later, the first 2% is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with 5 years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

***Plan Description - State Teachers Retirement System (STRS)* (continued)**
The DC Plan allows members to place all their member contributions and 9.5% of the 14% employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% of the 14% 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 2% goes the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with 5 years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 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 the fiscal year ended June 30, 2018, plan members were required to contribute 14% of their annual covered salary. The School District was required to contribute 14%; the entire 14% 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 pension contributions to STRS was $606,041 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 School District's proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	$ 2,215,448	$ 8,499,400	$ 10,714,848
Proportion of the Net Pension Liability:			
Current Year	0.0370800%	0.03577909%	
Prior Year	0.0343784%	0.03439834%	
Change in Proportionate Share	0.0027016%	0.00138075%	

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 consider the employee's entire career with the employer and 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 of net investment expense, including inflation
Actuarial cost method	Entry Age Normal (Level Percent of Payroll)

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

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

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

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

***Actuarial Assumptions – SERS* (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	100.00%	

Discount Rate – Total pension liability was calculated using the discount rate of 7.5%. 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 (7.5%). 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 7.5%, 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 (6.5%), or one percentage point higher (8.5%) 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	$ 3,074,466	$ 2,215,448	$ 1,495,845

Actuarial Assumptions - STRS

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

Assumptions	**July 1, 2017 Valuation**	**Prior Valuations**
Inflation	2.50%	2.75%
Salary increases	12.50% at age 20 to 2.50% at age 65	12.25% at age 20 to 2.75% at age 70
Investment rate of return, including inflation	7.45%, net of investment expenses	7.75%, net of investment expenses
Payroll increases	3.00%	3.50% per annum compounded annually for the next two years, 4.00% thereafter
Cost-of-living adjustments	0% effective July 1, 2017	2% simple: for members retiring before August 1, 2013, 2% per year; for members retiring August 1, 2013 or later, 2% COLA commences on 5th anniversary of retirement date
Mortality tables	RP-2014	RP-2000

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

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

The actuarial assumptions were based on the results of an actual experience study for the period July 1, 2011 through June 30, 2016.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
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	100.00%	

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

Discount Rate – The discount rate used to measure the total pension liability was 7.45% as of June 30, 2017. 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% 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%, 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%) or one-percentage-point higher (8.45%) than the current rate:

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

***Actuarial Assumptions – STRS* (continued)**

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	$ 12,183,600	$ 8,499,400	$ 5,396,013

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

Net OPEB Liability
OPEB are 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 obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

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, health care cost trend rates and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB Statement No. 75 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 OPEB 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 OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)
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.

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (continued)

***Plan Description - School Employees Retirement System (SERS)* (continued)**
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 to most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981, do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. 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.

Funding Policy – The Health Care Plan is financed through a combination of employer contributions, recipient premiums, investment returns, and any funds received on behalf of SERS' participation in Medicare programs. The SERS Board seeks to maintain a funded ratio of at least 90% for pension benefits. If the pension benefit funded ratio is less than 70%, the entire 14% of the employers' contributions will be allocated to pension benefits. If the funded ratio is at least 70% but less than 80%, the minimum portion of the employers' contribution allocated to pension benefits is 13.50% of payroll; the remaining 0.50% may be allocated to the Health Care Fund at the Board's discretion. If the funded ratio is at least 80% but less than 90%, at least 13.25% of the employers' contribution will be allocated to pension benefits with the remaining 0.75% being allocated to the Health Care Fund at the Board's discretion. If the funded ratio is 90% or greater, the Health Care Fund may receive any portion of the employers' contribution that is not needed to fund pension benefits. In addition, there is a health care surcharge designed to compensate for low-wage salaries, levied against employers, and exclusively for funding health care coverage. The surcharge minimum salary was $23,500 for fiscal year 2017 and $23,700 for fiscal year 2018. A surcharge is payable for any annual payroll salaries falling below the minimum salary threshold; however, the surcharge amount is capped at 2.0% of each employer's payroll and 1.5% of statewide reported payroll. For the fiscal year ended June 30, 2018, 0.50 percent of total covered payroll was allocated to the health care fund, along with the health care surcharge total.

The School District's health care contribution, including surcharge, to SERS was $25,590 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)
STRS administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that offers features of the Defined Benefit Plan and the Defined Contribution Plan. Ohio law authorizes STRS to offer a cost-sharing, multiple employer health care plan. STRS provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans and their eligible dependents.

Coverage under the current program includes 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, 2019. Pursuant to Chapter 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by the plan. 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. Benefit recipients contributed $339.1 million, or 60%, of the total health care costs in the fiscal year ended June 30, 2017 (excluding deductibles, coinsurance and copayments).

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (continued)

***Plan Description - State Teachers Retirement System (STRS)* (continued)**
Medicare Part D is a federal program to help cover the costs of prescription drugs for Medicare beneficiaries. This program allows STRS to recover part of the cost of providing prescription coverage since all eligible STRS health care plans include creditable prescription drug coverage. For the fiscal year ended June 30, 2017, STRS received $79.4 million in Medicare Part D reimbursements.

STRS issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling 888-227-7877.

Contributions – Employer and member contribution rates are established by the Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll effective July 1, 2016. Under Ohio law, funds to pay health care costs may be deducted from employer contributions. For the fiscal year ended June 30, 2018, no employer allocation was made to the health care fund.

Net OPEB Liabilities
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 pension plan relative to the projected contributions of all participating entities. Following is information related to the School District’s proportionate share:

	SERS	STRS	Total
Proportionate Share of the Net OPEB Liability	$ 1,002,824	$ 1,395,968	$ 2,398,792
Proportion of the Net OPEB Liability:			
Current Year	0.0373667%	0.03577909%	

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 consider the employee’s entire career with the employer and 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:

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (continued)

***Actuarial Assumptions – SERS* (continued)**

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

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

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

The target 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 in the following table:

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	100.00%	

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (continued)

Actuarial Assumptions – SERS (continued)

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63%. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from 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% as of June 30, 2017 (e.g., 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 the Healthcare 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 calculated using the discount rate of 3.63%, as well as what each plan's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.63%), or one percentage point higher (4.63%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Rate	2.63%	3.63%	4.63%
School District's proportionate share of the net OPEB liability	$ 1,211,038	$ 1,002,824	$ 837,866

The following table presents the net OPEB liability calculated using the current health care cost trend rates, as well as what each plan's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current rates.

	1% Decrease	Current Trend Rate	1% Increase
Rate	6.5% decreasing to 4.0%	7.5% decreasing to 5.0%	8.5% decreasing to 6.0%
School District's proportionate share of the net OPEB liability	$ 813,717	$ 1,002,824	$ 1,253,111

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (continued)

Actuarial Assumptions - STRS

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Assumptions	Current Measurement Period	Prior to Measurement Period
Inflation	2.50%	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%	3.00%
Blended discount rate of return	4.13%	3.26%
Investment rate of return, including inflation	7.45%, net of investment expenses	7.75%, net of investment expenses
Health care cost trends	6.00% - 11.00% initially, 4.50% ultimate	6.00% - 11.00% initially, 4.50% ultimate
Cost-of-living adjustments	0% effective July 1, 2017	

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

The actuarial assumptions were based on the results of an actual experience study for the period July 1, 2011 through June 30, 2016.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
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	100.00%	

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

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) (continued)

***Actuarial Assumptions – STRS* (continued)**
Discount Rate – The discount rate used to measure the total OPEB liability was 4.13% 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. Therefore, a blended discount rate of 4.13%, which represents the long-term expected rate of return of 7.45% for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58% for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Healthcare Cost Trend Rates – The following table presents the School District's proportionate share of the net OPEB liability calculated using the current period discount rate assumption of 4.13%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13%) or one percentage point higher (5.13%) than the current rate. 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	Current Discount Rate	1% Increase
Rate	3.13%	4.13%	5.13%
School District's proportionate share of the net OPEB liability	$ 1,874,065	$ 1,395,968	$ 1,018,115
	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
School District's proportionate share of the net OPEB liability	$ 969,859	$ 1,395,968	$ 1,956,778

NOTE 9 - LONG-TERM DEBT OBLIGATIONS

The activity of the School District's long-term debt obligations during fiscal year 2018 was as follows:

	Amount Outstanding June 30, 2017	Increase	Decrease	Amount Outstanding June 30, 2018	Amount Due Within One Year
General Obligation Bonds:					
2014-A School Improvement Bond					
Serial Interest (1.0%-4.25%)	$ 3,355,000	$ -	$ (275,000)	$ 3,080,000	$ 300,000
Term Interest (4.0%-4.5%)	8,710,000	-	-	8,710,000	-
Capital Appreciation	109,999	-	-	109,999	-
2014-B School Improvement Bond					
Serial Interest (1.0%-4.25%)	1,850,000	-	(215,000)	1,635,000	235,000
Term Interest (4.0%-4.5%)	7,255,000	-	-	7,255,000	-
Capital Appreciation	40,000	-	-	40,000	-
Total General Obligation Bonds	21,319,999	-	(490,000)	20,829,999	535,000
Capital Leases	686,000	-	(32,000)	654,000	33,000
Total Governmental Activities	$ 22,005,999	$ -	$ (522,000)	$ 21,483,999	$ 568,000

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

General Obligations Bonds

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

The 2014 series-A capital appreciation bonds have a combined maturity value of $455,000 and are set to mature on November 1, 2020 and November 1, 2021. The 2014 series-B capital appreciation bonds have a combined maturity value of $250,000 and are set to mature on November 1, 2020 and November 1, 2021.

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

Fiscal Year	Principal	Interest	Compounded Interest	Total
2019	$ 535,000	$ 791,156	$ -	$ 1,326,156
2020	580,000	781,663	-	1,361,663
2021	361,027	773,306	268,973	1,403,306
2022	63,972	770,431	286,028	1,120,431
2023	350,000	765,181	-	1,115,181
2024-2028	1,930,000	3,631,406	-	5,561,406
2029-2033	2,335,000	3,218,356	-	5,553,356
2034-2038	2,865,000	2,672,638	-	5,537,638
2039-2043	3,505,000	2,029,119	-	5,534,119
2044-2048	4,245,000	1,269,488	-	5,514,488
2049-2052	4,060,000	338,784	-	4,398,784
Total	$ 20,829,999	$ 17,041,528	$ 555,001	$ 38,426,528

Capital Lease Obligation

The capital lease was used to purchase 132 acres of land adjacent to the current school facilities location with the intent of building new school buildings in the future. Lease payments are made out of the permanent improvement fund (other governmental funds). The School District's capital lease requirements to maturity are as follows:

Fiscal Year	Minimum Lease Payment
2019	$ 66,354
2020	66,628
2021	66,789
2022	66,841
2023	65,807
2024-2028	329,561
2029-2032	260,833
Total minimum lease payments	922,813
Less: Amount representing interest	(268,813)
Total present value of minimum lease payments	$ 654,000

NOTE 10 – JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association

The School District is a member of the Metropolitan Educational Technology Association (META). META is an association of public school districts in a geographical area determined by the Ohio Department of Education. META was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. The School District paid META $37,017 for services provided during the fiscal year. Financial information can be obtained from Dave Varda, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio, 43302.

Southwestern Ohio Educational Purchasing Cooperative

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2018, the School District did not make any payments to SOEPC, except for insurance premiums noted in Note 11. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center, Suite 208, Vandalia, Ohio 45377.

NOTE 11 - INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

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

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

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

Ohio School Plan

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

NOTE 12 - CONTINGENCIES

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.

Litigation
There were currently no matters in litigation with the School District as defendant.

NOTE 13 – CAPITAL IMPROVEMENT SET-ASIDE

The School District is required by State statute to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year. The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	Capital Improvements
Set-aside reserve balance as of June 30, 2017	$ -
Current year set-aside requirement	231,205
Current year offsets:	
Permanent Improvement Levy	(518,608)
Total	$ (287,403)
Balance carried forward to fiscal year 2019	$ -
Set-aside balance June 30, 2018	$ -

The School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to zero for the capital improvements set-aside.

NOTE 14 - COMMITMENTS

Encumbrances
At year end the School District had the following amounts encumbered for future purchase obligations:

Fund	Year-End Encumbrances
General Fund	$ 288,886
Non-major Governmental Funds	73,227
	$ 362,113

NOTE 15 – INTERFUND TRANSFERS

During fiscal year 2018, the School District transferred $260,264 from the General Fund to the Bond Retirement Fund ($209,644) and the District Managed Student Activities ($50,620) special revenue fund (nonmajor governmental fund) to provide additional resources. Transfers of monies are not intended to be repaid and were in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Also during the fiscal year, the General Fund advanced $52,000 and $5,500, respectively, to the Title VI-B Grant and Title I Grant special revenue funds (nonmajor governmental funds) to provide temporary resources to operating grant activities until resources are received. These advances will be repaid to the General Fund in the subsequent fiscal year when grant funding is received.

NOTE 16 – CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2018, the School District implemented GASB Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than* Pensions; No. 81, *Irrevocable Split-Interest Agreements*; No. 85, *Omnibus 2017*; and No. 86, *Certain Debt Extinguishment Issues*.

GASB Statement No. 75 requires employer recognition of the liability associated with post-employment benefits (OPEB) other than pensions and provides for a more comprehensive measure of OPEB expense in the employer's full accrual financial statements. Additional disclosures and RSI schedules are required related to the OPEB liability(ies) reported within the employer's financial statements. Due to the basis of accounting used to prepare these financial statements, the impact of this Statement is limited to the additional disclosures required for OPEB plans.

GASB Statement No. 81 enhances the comparability in reporting for irrevocable split-interest agreements where the government is a beneficiary, including how to establish government's value and clearly identifying resources available to the government. The implementation of this Standard had no impact on the School District's financial statements for fiscal year 2018.

GASB Statement No. 85 addresses the following topics: 1) blending a component unit in circumstances where reporting government is single business-type activity, 2) reporting amounts previously reported as goodwill/negative goodwill, 3) measuring certain money market/interest earning contracts at amortized cost, 4) timing of the measurement of pension or OPEB liabilities and expenditures in financial statements prepared using current financial resources, 5) recognizing on-behalf of payments for pension or OPEB in employer financial statements, 6) presenting payroll-related measures in RSI for purposes of reporting by OPEB plans and employers that provide OPEB, and 7) other OPEB related issues. The implementation of this Standard had no impact on the School District's financial statements for fiscal year 2018.

GASB Statement No. 86 increases consistency in accounting and financial reporting for debt extinguishments by establishing uniformed guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. Note disclosure will enhance the information provided regarding debt that has been defeased in substance. The implementation of this Standard had no impact on the School District's financial statements for fiscal year 2018.

NOTE 17 – SUBSEQUENT EVENTS

In July 2019, the District entered into a lease purchase agreement with a financial institution to finance the acquisition of four (4) new school buses. The principal portion of the agreement is for $321,880 and will have an annual payment due in fiscal year 2020 through 2023. Interest rate on the agreement is 4.40%.

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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Bethel Local School District, Miami County, (the District) as of and for the years ended Jun 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 28, 2020, wherein we noted the 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 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 District's internal control. Accordingly, we have not opined on it.

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as finding 2019-001.

District*'s Response to Findings*

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the 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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

February 28, 2020

BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2019 AND 2018

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

FINDING NUMBER 2019-001

<u>NONCOMPLIANCE</u>

Ohio Rev. Code §117.38 (A) 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), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the District to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The 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, and 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 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 District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial statements according to generally accepted accounting principles.

Official's Response: The School District acknowledges this requirement but will continue to report on a cash basis, as it is noted that GAAP reporting is not a necessity for a successful completion of business transactions. Therefore, the time and cost of GAAP reporting is deemed too expensive for the School District

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2019 AND 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Ohio Rev. Code § 117.38 and Ohio Admin Code §117 -2-03(B) – District failed to file annual financial statements using generally accepted accounting principles. District also failed to timely file report with Auditor of State	Partially corrected	The School District acknowledges this requirement but will continue to report on a cash basis as it is noted that GAAP reporting is not a necessity for a successful completion of business transactions and therefore the time and cost of GAAP reporting is deemed too expensive for the School District. Will be repeated as 2019-001

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OHIO AUDITOR OF STATE
KEITH FABER

BETHEL LOCAL SCHOOL DISTRICT

MIAMI COUNTY

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 24, 2020