



OHIO AUDITOR OF STATE
KEITH FABER



**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY
JUNE 30, 2018**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis	15
Statement of Activities – Cash Basis	16
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis - Governmental Funds	17
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balances –Cash Basis - Governmental Funds	18
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance – Budget and Actual - Budget Basis – General Fund	19
Statement of Fiduciary Net Position – Cash Basis- Fiduciary Funds	20
Statement of Change in Fiduciary Net Position - Cash Basis –Fiduciary Fund	21
Notes to the Basic Financial Statements	23
Schedule of Expenditures of Federal Awards	57
Notes to the Schedule of Expenditures of Federal Awards.....	58
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	59
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	61
Schedule of Findings.....	64
Prepared by Management:	
Summary Schedule of Prior Audit Findings.....	69
Corrective Action Plan	70

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Benjamin Logan Local School District
Logan County
4740 County Road 26
Bellefontaine, Ohio 43311

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Benjamin Logan Local School District, Logan County, Ohio (the District), as of and for the fiscal year ended June 30, 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 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the 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 Benjamin Logan Local School District, Logan County, Ohio, as of June 30, 2018, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Emphasis of Matter

As discussed in Note 17 to the financial statements, during 2018, the District restated fund balances and net position for the reclassification of the scholarship fund from governmental to fiduciary. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

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

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

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive style with a large, prominent "K" and "F".

Keith Faber
Auditor of State
Columbus, Ohio

August 26, 2019

This page intentionally left blank.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

The management's discussion and analysis of the Benjamin Logan Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2018, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2018 are as follows:

- The total net cash position of the District increased \$1,117,494 or 15.34% from fiscal year 2017.
- General cash receipts accounted for \$19,560,923 or 82.31% of total governmental activities cash receipts. Program specific cash receipts accounted for \$4,204,904 or 17.69% of total governmental activities cash receipts.
- The District had \$22,648,333 in cash disbursements related to governmental activities; \$4,204,904 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$19,560,923 were adequate to provide for these programs.
- The District's major funds are the general fund and building fund. The general fund had cash receipts and other financing sources of \$19,412,763 in 2018. The cash disbursements of the general fund totaled \$19,696,499 in 2018. The general fund's fund cash balance decreased \$283,736 from a balance of \$6,112,887 to \$5,829,151.
- The building fund had \$2,120,000 in other financing sources in 2018. The building fund had \$503,695 in cash disbursements in 2018. The building fund's fund balance increased \$1,616,305 in 2018.

Using this Cash Basis Basic Financial Statements (BFS)

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

The statement of net position - cash basis and statement of activities - cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, there are two major governmental funds: the general fund and the building fund.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

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

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

In the statement of net position - cash basis and the statement of activities - cash basis, the governmental activities include District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The statement of net position - cash basis and the statement of activities - cash basis can be found on pages 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the building fund. The analysis of the District's major governmental funds begins on page 12.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than GAAP. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net cash position and fund cash balances or changes in net cash position and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. The governmental fund statements can be found on pages 17-18 of this report.

The District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the District's compliance with annually adopted budgets. The budgetary statement can be found on page 19 of this report.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private purpose trust fund and agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position – cash basis and change in fiduciary net position - cash basis on pages 20-21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-55 of this report.

Government-Wide Financial Analysis

Recall that the statement of net position - cash basis provides the perspective of the District as a whole.

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

	Governmental Activities <u>2018</u>	Restated Governmental Activities <u>2017</u>
<u>Assets</u>		
Equity in pooled cash and cash equivalents	\$ 8,399,100	\$ 7,281,886
Cash in segregated accounts	<u>5,457</u>	<u>5,177</u>
Total assets	<u>8,404,557</u>	<u>7,287,063</u>
<u>Net Position</u>		
Restricted	2,233,289	864,287
Unrestricted	<u>6,171,268</u>	<u>6,422,776</u>
Total net position	<u>\$ 8,404,557</u>	<u>\$ 7,287,063</u>

The total net position of the District increased \$1,117,494, which represents a 15.34% increase over fiscal year 2017.

The balance of government-wide unrestricted net position of \$6,171,268 may be used to meet the government's ongoing obligations to citizens and creditors.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

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

	Change in Net Position	
	Governmental	Restated
	Activities	Governmental
	<u>2018</u>	<u>2017</u>
Cash Receipts:		
Program cash receipts:		
Charges for services and sales	\$ 2,570,078	\$ 2,539,375
Operating grants, contributions and interest	<u>1,634,826</u>	<u>1,663,890</u>
Total program cash receipts	<u>4,204,904</u>	<u>4,203,265</u>
General cash receipts:		
Property and other taxes	8,926,795	8,719,421
Unrestricted grants	8,209,245	8,398,024
Proceeds of tax anticipation notes	2,120,000	-
Investment earnings	114,625	68,920
Miscellaneous	<u>190,258</u>	<u>80,177</u>
Total general cash receipts	<u>19,560,923</u>	<u>17,266,542</u>
Total cash receipts	<u>\$ 23,765,827</u>	<u>\$ 21,469,807</u>

- Continued

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

Change in Net Position (Continued)

	Governmental Activities <u>2018</u>	Restated Governmental Activities <u>2017</u>
Cash Disbursements:		
Instruction:		
Regular	\$ 8,109,712	\$ 7,834,661
Special	2,465,090	2,481,038
Vocational	560,141	521,747
Other	1,750,740	1,602,236
Support services:		
Pupil	917,279	916,682
Instructional staff	627,769	577,592
Board of education	90,453	108,533
Administration	1,395,454	1,382,991
Fiscal	521,183	504,729
Business	46,535	79,058
Operations and maintenance	2,336,027	1,548,292
Pupil transportation	1,529,856	1,422,727
Central	241,283	237,515
Operation of non instructional services:		
Other non instructional services	16,245	19,745
Food service operations	654,137	651,739
Extracurricular	657,752	578,618
Facilities acquisition and construction	434,107	51,196
Debt service:		
Principal retirement	246,200	241,200
Interest and fiscal charges	<u>48,370</u>	<u>42,432</u>
Total cash disbursements	<u>\$ 22,648,333</u>	<u>\$ 20,802,731</u>
Change in net cash position	1,117,494	667,076
Net cash position at beginning of year	<u>7,287,063</u>	<u>6,619,987</u>
Net cash position at end of year	<u>\$ 8,404,557</u>	<u>\$ 7,287,063</u>

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

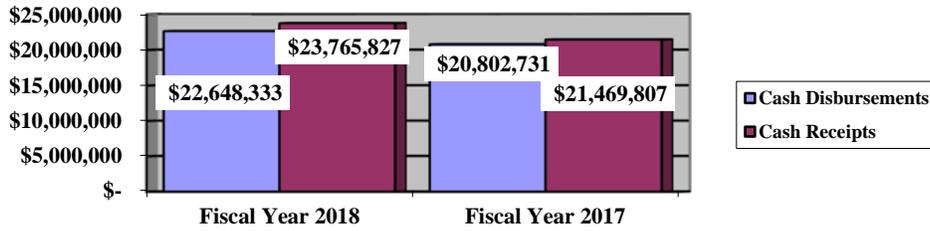
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(CONTINUED)**

Governmental Activities

Governmental net cash position increased by \$1,117,494 in 2018 from 2017. Total governmental disbursements of \$22,648,333 were offset by program receipts of \$4,204,904 and general receipts of \$19,560,923. Program receipts supported 18.57% of the total governmental disbursements.

The primary sources of receipts for governmental activities are derived from property taxes, and grants and entitlements. These receipt sources represent 72.10% of total governmental receipts. Real estate property is reappraised every six years.

Governmental Activities - Total Cash Receipts vs. Total Cash Disbursements



**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

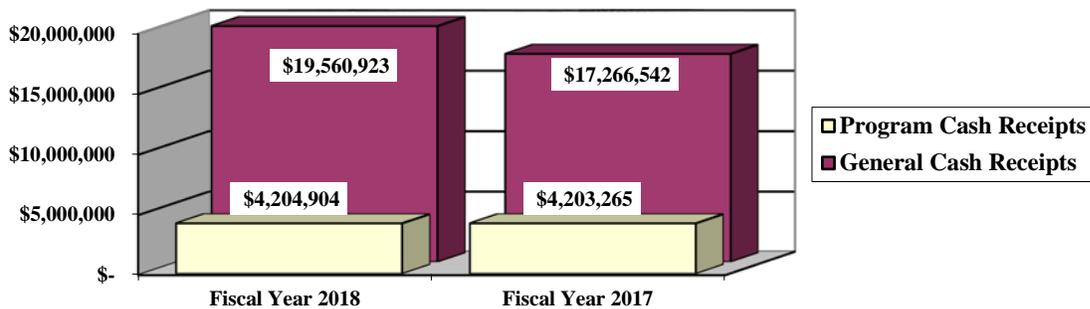
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(CONTINUED)

Governmental Activities

	Total Cost of Services <u>2018</u>	Net Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2017</u>
Cash disbursements:				
Instruction:				
Regular	\$ 8,109,712	\$ 6,314,196	\$ 7,834,661	\$ 6,343,577
Special	2,465,090	1,203,108	2,481,038	1,088,098
Vocational	560,141	476,863	521,747	454,291
Other	1,750,740	1,750,740	1,602,236	1,602,236
Support services:				
Pupil	917,279	769,458	916,682	696,786
Instructional staff	627,769	604,137	577,592	546,898
Board of education	90,453	90,453	108,533	108,533
Administration	1,395,454	1,395,454	1,382,991	1,371,029
Fiscal	521,183	521,183	504,729	504,729
Business	46,535	46,535	79,058	79,058
Operations and maintenance	2,336,027	2,332,027	1,548,292	1,512,976
Pupil transportation	1,529,856	1,517,584	1,422,727	1,389,962
Central	241,283	235,883	237,515	232,115
Operation of non instructional services:				
Other non instructional services	16,245	(37,926)	19,745	(31,946)
Food service operations	654,137	(2,323)	651,739	(48,227)
Extracurricular	657,752	497,380	578,618	414,523
Facilities acquisition and construction	434,107	434,107	51,196	51,196
Debt service:				
Principal retirement	246,200	246,200	241,200	241,200
Interest and fiscal charges	48,370	48,370	42,432	42,432
Total	<u><u>\$ 22,648,333</u></u>	<u><u>\$ 18,443,429</u></u>	<u><u>\$ 20,802,731</u></u>	<u><u>\$ 16,599,466</u></u>

The dependence upon general cash receipts for governmental activities is apparent; with 81.43% of cash disbursements supported through taxes and other general cash receipts during 2018.

Governmental Activities - General and Program Cash Receipts



**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

Financial Analysis of the Government's Funds

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

Governmental Funds

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

The District's governmental funds reported a combined fund cash balance of \$8,404,557, which is \$1,117,494 higher than last year's restated total balance of \$7,287,063. The schedule below indicates the fund cash balance and the total change in fund cash balance as of June 30, 2018 and June 30, 2017, for all major and nonmajor governmental funds.

	Fund Balance <u>June 30, 2018</u>	Restated Fund Balance <u>June 30, 2017</u>	<u>Change</u>
Major funds:			
General	\$ 5,829,151	\$ 6,112,887	\$ (283,736)
Building	1,616,305	-	1,616,305
Other nonmajor governmental funds	<u>959,101</u>	<u>1,174,176</u>	<u>(215,075)</u>
Total	<u>\$ 8,404,557</u>	<u>\$ 7,287,063</u>	<u>\$ 1,117,494</u>

General Fund

The general fund had cash receipts and other financing sources of \$19,412,763 in 2018. The cash disbursements of the general fund totaled \$19,696,499 in 2018. The general fund's cash balance decreased \$283,736 from a balance of \$6,112,887 to \$5,829,151.

The table that follows assists in illustrating the cash receipts of the general fund.

	<u>2018 Amount</u>	<u>2017 Amount</u>	<u>Percentage Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 8,395,122	\$ 8,192,681	2.47 %
Tuition	1,742,632	1,669,423	4.39 %
Transportation fees	28,658	21,653	32.35 %
Earnings on investments	114,625	68,920	66.32 %
Other local revenues	433,769	396,010	9.53 %
Intergovernmental - State	<u>8,664,107</u>	<u>8,868,996</u>	(2.31) %
Total	<u>\$ 19,378,913</u>	<u>\$ 19,217,683</u>	0.84 %

The District's general fund cash receipts increased \$161,230 or 0.84%. Property taxes increased \$202,441 or 2.47%. This increase was due to larger assessed values and better tax collections compared to the previous fiscal year. Tuition increased \$73,209 or 4.39% due to an increase in open enrollment students throughout the District. Earnings on investments increased \$45,705 or 66.32% due to the maturity of investments during the fiscal year and an increase in STAR Ohio rate of return. Intergovernmental – State receipts decreased \$204,889 or 2.31% due to a decrease in tangible personal property tax loss reimbursement from the State.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

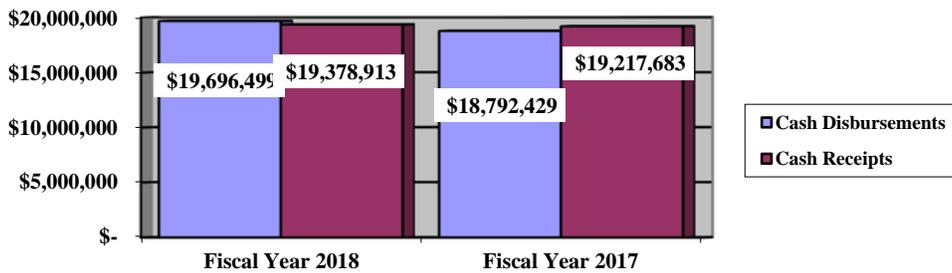
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)
(CONTINUED)

The table that follows assists in illustrating the disbursements of the general fund.

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements</u>			
Instruction	\$ 12,144,888	\$ 11,750,352	3.36 %
Support services	7,047,756	6,617,419	6.50 %
Extracurricular	<u>503,855</u>	<u>424,658</u>	18.65 %
Total	<u>\$ 19,696,499</u>	<u>\$ 18,792,429</u>	4.81 %

The District's general fund cash disbursements increased \$904,070 or 4.81%. The largest increases were in the areas of instruction and support services which increased \$394,536 and \$430,337, respectively. These increases were primarily due in wage and benefit increases given to employees.

General Fund - Total Cash Receipts vs. Total Cash Disbursements



The building fund had other financing sources of \$2,120,000 in 2018. The cash disbursements of the building fund totaled \$503,695 in 2018. The building fund's cash balance increased \$1,616,305 from a balance of \$0 to \$1,616,305.

Budgeting Highlights - General Fund

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

For the general fund, original and final budget basis receipts and other financing sources were \$17,457,081. Actual cash receipts and other financing sources of \$17,424,298 were less than final budget estimates by \$32,783. The final budget basis disbursements and other financing uses of \$18,814,367 were increased \$558,898 from original budget basis disbursements and other financing uses of \$18,255,469. The actual budgetary basis disbursements of \$18,301,668 were \$512,699 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2018 and 2017:

	Governmental Activities <u>2018</u>	Governmental Activities <u>2017</u>
Capital Improvement Bonds, Series 2014:		
Various Purpose - HB 264	\$ 990,000	\$ 1,145,000
Air Conditioning	200,000	230,000
Tax Anticipation Notes, Series 2015	61,200	122,400
Tax Anticipation Notes, Series 2018	<u>2,120,000</u>	<u>-</u>
Total long-term obligations	<u>\$ 3,371,200</u>	<u>\$ 1,497,400</u>

Current Financial Related Activities

The challenge for all school districts is to provide a quality education with limited revenue growth. This is even more challenging for a rural district such as Benjamin Logan Local Schools. With mainly one industry, whose Tangible Personal Property tax is being replaced with the House Bill 66 approved Commercial Activity Tax (CAT) that flows through the State, the District must rely on local taxes and State support even further for future revenue growth. The five-year forecast is predicting deficit spending for fiscal year 2019. With the passage of the current state budget, the District is very concerned about losing Tangible Personal Tax replacement dollars in Fiscal Year 2019 and in the future.

The District has been an effective school district over the last five years, which is among the top 15% of schools statewide. This academic success has been achieved by staff and administration dedication to improvement, an increase in professional development, and community support.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Mandy G. France, Treasurer, Benjamin Logan Local School District, 4740 County Road 26, Bellefontaine, Ohio 43311-9532.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

STATEMENT OF NET POSITION - CASH BASIS
JUNE 30, 2018

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 8,399,100
Cash in segregated accounts	5,457
Total assets.	8,404,557
 Net cash position:	
Restricted for:	
Capital projects	1,956,238
State funded programs.	2,700
Student activities	47,664
Other purposes	226,687
Unrestricted	6,171,268
Total net cash position	\$ 8,404,557

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

	Program Cash Receipts			Net Revenue
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	(Expense) Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 8,109,712	\$ 1,651,141	\$ 144,375	\$ (6,314,196)
Special	2,465,090	215,144	1,046,838	(1,203,108)
Vocational	560,141	-	83,278	(476,863)
Other	1,750,740	-	-	(1,750,740)
Support services:				
Pupil	917,279	147,821	-	(769,458)
Instructional staff	627,769	-	23,632	(604,137)
Board of education	90,453	-	-	(90,453)
Administration	1,395,454	-	-	(1,395,454)
Fiscal	521,183	-	-	(521,183)
Business	46,535	-	-	(46,535)
Operations and maintenance	2,336,027	4,000	-	(2,332,027)
Pupil transportation	1,529,856	-	12,272	(1,517,584)
Central	241,283	-	5,400	(235,883)
Operation of non-instructional services:				
Other non-instructional services	16,245	1,631	52,540	37,926
Food service operations	654,137	403,921	252,539	2,323
Extracurricular activities	657,752	146,420	13,952	(497,380)
Facilities acquisition and construction	434,107	-	-	(434,107)
Debt service:				
Principal retirement	246,200	-	-	(246,200)
Interest and fiscal charges	48,370	-	-	(48,370)
Total governmental activities	\$ 22,648,333	\$ 2,570,078	\$ 1,634,826	(18,443,429)
		General cash receipts:		
		Property taxes levied for:		
		General purposes		7,022,467
		Permanent Improvement		531,673
		Emergency levy		1,372,655
		Grants and entitlements not restricted		
		to specific programs		8,209,245
		Proceeds of tax anticipation notes		2,120,000
		Investment earnings		114,625
		Miscellaneous		190,258
		Total general receipts		19,560,923
		Change in net cash position		1,117,494
		Net cash position at beginning of year (restated)		7,287,063
		Net cash position at end of year	\$	8,404,557

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

	<u>General</u>	<u>Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents.	\$ 5,829,151	\$ 1,616,305	\$ 953,644	\$ 8,399,100
Cash in segregated accounts	-	-	5,457	5,457
Total assets	<u>5,829,151</u>	<u>1,616,305</u>	<u>959,101</u>	<u>8,404,557</u>
Fund cash balances:				
Restricted:				
Capital improvements	-	1,616,305	339,933	1,956,238
Food service operations	-	-	204,789	204,789
Other purposes.	-	-	24,598	24,598
Extracurricular activities	-	-	47,664	47,664
Committed:				
Termination benefits.	17,067	-	-	17,067
Assigned:				
Student instruction	97,990	-	-	97,990
Student and staff support.	420,988	-	-	420,988
Extracurricular activities	710	-	-	710
Subsequent year's appropriations	779,935	-	-	779,935
Capital improvements	-	-	375,000	375,000
Other purposes.	2,370	-	-	2,370
Unassigned (deficit).	4,510,091	-	(32,883)	4,477,208
Total fund cash balances	<u>\$ 5,829,151</u>	<u>\$ 1,616,305</u>	<u>\$ 959,101</u>	<u>\$ 8,404,557</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

	<u>General</u>	<u>Building</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:				
From local sources:				
Property taxes	\$ 8,395,122	\$ -	\$ 531,673	\$ 8,926,795
Tuition.	1,742,632	-	-	1,742,632
Transportation fees.	28,658	-	-	28,658
Earnings on investments	114,625	-	-	114,625
Charges for services	-	-	408,857	408,857
Extracurricular.	147,821	-	146,420	294,241
Classroom materials and fees	91,690	-	-	91,690
Rental income	4,000	-	-	4,000
Contributions and donations	17,300	-	118,353	135,653
Other local revenues	172,958	-	62,972	235,930
Intergovernmental - state	8,664,107	-	81,771	8,745,878
Intergovernmental - federal	-	-	916,868	916,868
Total cash receipts	<u>19,378,913</u>	<u>-</u>	<u>2,266,914</u>	<u>21,645,827</u>
Cash disbursements:				
Current:				
Instruction:				
Regular.	7,959,445	-	150,267	8,109,712
Special	1,883,255	-	581,835	2,465,090
Vocational	551,448	-	8,693	560,141
Other	1,750,740	-	-	1,750,740
Support services:				
Pupil	917,279	-	-	917,279
Instructional staff.	602,249	-	25,520	627,769
Board of education	90,453	-	-	90,453
Administration	1,395,454	-	-	1,395,454
Fiscal	508,908	-	12,275	521,183
Business.	46,535	-	-	46,535
Operations and maintenance	1,721,139	493,695	121,193	2,336,027
Pupil transportation	1,529,856	-	-	1,529,856
Central	235,883	-	5,400	241,283
Operation of non-instructional services:				
Other operation of non-instructional.	-	-	16,245	16,245
Food service operations.	-	-	654,137	654,137
Extracurricular activities	503,855	-	153,897	657,752
Facilities acquisition and construction.	-	-	434,107	434,107
Debt service:				
Principal retirement.	-	-	246,200	246,200
Interest and fiscal charges	-	-	38,370	38,370
Note issuance costs	-	10,000	-	10,000
Total cash disbursements	<u>19,696,499</u>	<u>503,695</u>	<u>2,448,139</u>	<u>22,648,333</u>
Excess of cash disbursements over cash receipts	<u>(317,586)</u>	<u>(503,695)</u>	<u>(181,225)</u>	<u>(1,002,506)</u>
Other financing sources (uses):				
Sale of notes	-	2,120,000	-	2,120,000
Transfers in.	3,000	-	284,565	287,565
Transfers (out).	-	-	(287,565)	(287,565)
Advances in	30,850	-	-	30,850
Advances (out)	-	-	(30,850)	(30,850)
Total other financing sources (uses)	<u>33,850</u>	<u>2,120,000</u>	<u>(33,850)</u>	<u>2,120,000</u>
Net change in fund cash balances.	(283,736)	1,616,305	(215,075)	1,117,494
Fund cash balances at beginning of year (restated).	<u>6,112,887</u>	<u>-</u>	<u>1,174,176</u>	<u>7,287,063</u>
Fund cash balances at end of year	<u>\$ 5,829,151</u>	<u>\$ 1,616,305</u>	<u>\$ 959,101</u>	<u>\$ 8,404,557</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Budgetary basis receipts:				
From local sources:				
Property taxes	\$ 6,794,896	\$ 6,794,896	\$ 7,022,467	\$ 227,571
Tuition	1,669,423	1,669,423	1,742,632	73,209
Transportation fees	21,653	21,653	28,658	7,005
Earnings on investments	68,920	68,920	114,625	45,705
Classroom materials and fees	91,670	91,670	91,690	20
Rental income	4,250	4,250	4,000	(250)
Contributions and donations	1	1	7,241	7,240
Other local revenues	80,176	80,176	100,513	20,337
Intergovernmental - state	8,376,018	8,376,018	8,206,177	(169,841)
Total budgetary basis receipts	<u>17,107,007</u>	<u>17,107,007</u>	<u>17,318,003</u>	<u>210,996</u>
Budgetary basis disbursements:				
Current:				
Instruction:				
Regular	6,985,400	7,241,669	7,202,060	39,609
Special	1,424,073	1,358,227	1,356,383	1,844
Vocational	510,028	569,330	569,330	-
Other	1,620,703	1,751,941	1,750,770	1,171
Support services:				
Pupil	754,151	793,058	788,135	4,923
Instructional staff	678,596	646,802	620,616	26,186
Board of education	86,486	110,500	93,539	16,961
Administration	1,401,113	1,398,121	1,374,963	23,158
Fiscal	558,797	591,659	503,503	88,156
Business	66,691	78,048	50,535	27,513
Operations and maintenance	1,798,977	1,839,420	1,760,329	79,091
Pupil transportation	1,423,369	1,440,496	1,354,031	86,465
Central	327,795	381,944	372,910	9,034
Extracurricular activities	469,290	513,152	504,564	8,588
Total budgetary basis disbursements	<u>18,105,469</u>	<u>18,714,367</u>	<u>18,301,668</u>	<u>412,699</u>
Excess of budgetary basis disbursements over budgetary basis receipts	(998,462)	(1,607,360)	(983,665)	623,695
Other financing sources (uses):				
Refund of prior year's expenditures	25,471	25,471	72,194	46,723
Transfers in	-	-	3,000	3,000
Advances in	319,392	319,392	30,850	(288,542)
Advances (out)	(150,000)	(100,000)	-	100,000
Sale of capital assets	5,211	5,211	251	(4,960)
Total other financing sources (uses)	<u>200,074</u>	<u>250,074</u>	<u>106,295</u>	<u>(143,779)</u>
Net change in fund cash balance	(798,388)	(1,357,286)	(877,370)	479,916
Fund cash balance at beginning of year	3,795,336	3,795,336	3,795,336	-
Prior year encumbrances appropriated	369,319	369,319	369,319	-
Fund cash balance at end of year	<u>\$ 3,366,267</u>	<u>\$ 2,807,369</u>	<u>\$ 3,287,285</u>	<u>\$ 479,916</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

	<u>Private Purpose Trust</u>	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Equity in pooled cash and cash equivalents	<u>\$ 222,013</u>	<u>\$ 115,281</u>
Net cash position:		
Held for student activities		\$ 115,281
Held in trust for scholarships	<u>222,013</u>	
Total net position.	<u>\$ 222,013</u>	<u>\$ 115,281</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ -
Gifts and contributions	-
Total additions	-
 Deductions:	
Scholarships awarded	-
Change in net position	-
Net position at beginning of year (restated)	222,013
Net position at end of year	\$ 222,013

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

This page intentionally left blank.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1969 through the consolidation of existing land areas and school districts. The District serves an area of approximately 225 square miles, 201 square miles in Logan County, 18 square miles in Hardin County, and six square miles in Union County. It is located in Logan County and includes the Villages of Belle Center, Rushsylvania, Valley High, Middleburg, West Mansfield, Zanesfield, and East Liberty. The District is staffed by 103 non-certified employees and 135 certified full-time teaching personnel who provide services to 1,638 students and other community members. The District currently operates three instructional buildings and a garage building.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 2.B., these financial statements are presented on the cash basis of accounting. The cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In cases where these cash basis statements contain items that are the same as, or similar to, those items in financial statements prepared in conformity with GAAP, similar informative disclosures are provided.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Western Ohio Computer Organization (WOCO)

The District is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of various public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Shelby, and Miami Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions of member school districts. Each of the governments of these districts supports WOCO based upon a per pupil charge dependent on the software package utilized. In accordance with GASB Statement No. 14, the District does not have an equity interest in WOCO, as the residual interest in net resources of the joint venture upon dissolution is not equivalent to an equity interest. WOCO is governed by a board of directors consisting of the superintendents of the member school districts and the degree of control is limited to the representation on the board. Financial information can be obtained from Donn Walls, who serves as Director, at 129 East Court Street, Sidney, Ohio 45365.

Ohio Hi-Point Joint Vocational School District

The Ohio Hi-Point Joint Vocational School District is a political subdivision of the State of Ohio, which possesses its own budgeting and taxing authority. The Vocational School is governed by a board of education that consists of a representative from each participating school district and its degree of control is limited to its representation on the board. To obtain financial information write to the Ohio Hi-Point Joint Vocational School District, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

Logan County Education Foundation

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

INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group-rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program (the "Program") was established through the Ohio School Boards Association ("OSBA") as an insurance purchasing pool.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

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

The Program's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designees, serves as coordinator of the Program. Each year, the participants pay an enrollment fee to the Program to cover the costs of administering the Program.

Logan County School Employee Consortium

The District participates in the Logan County School Employee Consortium (the Consortium); a public entity shared risk pool consisting of one educational service center, one joint vocational school district, and three local school districts. The District pays monthly premiums to the Consortium for employee medical benefits. The Consortium is responsible for the payment of all Consortium liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal. The Superintendent of the District is the Recording Secretary of the Consortium. To obtain financial information write to Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311.

RELATED ORGANIZATION

Belle Center Free Public Library

The Belle Center Free Public Library (the "Library") is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Belle Center Free Public Library, Judy Pockras, Fiscal Officer, at 103 South Elizabeth Street, PO Box 336, Belle Center, Ohio 44310.

B. Basis of Accounting

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with GAAP, the District chooses to prepare its financial statements and notes on the cash basis of accounting. The cash basis of accounting is a comprehensive basis of accounting other than GAAP. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

Budgetary presentations report budgetary cash disbursements when a commitment is made (i.e. when an encumbrance is approved). The difference between disbursements reported in the fund and entity wide statements and disbursements reported in the budgetary statements are due to current year encumbrances being added to disbursements reported on the budgetary statements. These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

C. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District has no proprietary funds.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

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

GOVERNMENTAL FUNDS

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

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

Building fund - The building fund is used to account for note proceeds restricted for the purchase of capital assets.

Other governmental funds of the District are used to account for (a) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects, (b) financial resources that are restricted, committed or assigned to expenditures for principal and interest and (c) financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net cash position and changes in net cash position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for cash assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's private-purpose trust fund accounts for programs that provide college scholarships for students after graduation. Agency funds are custodial in nature and do not involve measurement of results of operations. The District's agency funds account for student activities.

D. Basis of Presentation

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

The government-wide statement of activities compares disbursements with program receipts for each function or program of the District's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

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 demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate.

The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations below the legal level within all funds are made by the District Treasurer.

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

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements. A portion of cash and cash equivalents held within the athletic department of the District is recorded as "cash in segregated accounts".

During fiscal year 2018, investments were limited to commercial paper, Federal National Mortgage Association (FNMA) securities, non-negotiable certificates of deposit, negotiable certificates of deposit, a U.S. Government money market and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio).

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

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

During fiscal year 2018, the District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2018 amounted to \$114,625, which includes \$59,532 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

G. Equity Classifications

1. Government - wide Statements

Equity is classified as Net Position, and displayed in separate components:

- a. Restricted Net Position - Consists of net position with constraints places on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation adopted by the school district. Net Position restricted for other purposes include resources restricted for food service operations, school supplies, and for student scholarships. As of June 30, 2018, the District had no net position restricted by enabling legislation.
- b. Unrestricted Net Position - All other net position that does not meet the definition of "restricted".

2. Fund Financial Statements

Governmental fund Equity is classified as fund cash balance, and displayed in separate components:

The District reports classifications of fund cash balance based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories may be used:

Nonspendable - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

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

Restricted - amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board of Education.

Assigned - amounts that are constrained by the District's intent to be used for specific purpose, but are neither restricted nor committed. Assigned amounts include those approved through the District's formal purchasing procedure by the Treasurer. Through the District's purchasing policy, the Board of Education has given the Treasurer the authority to constrain monies for intended purposes.

Unassigned - residual fund balance within the general fund that is in spendable form that is not restricted, committed, or assigned.

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

H. Capital Assets

Acquisition of property, plant, and equipment purchased are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements under the cash basis of accounting. Depreciation has not been reported for any capital assets.

I. Unpaid Vacation and Sick Leave

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.

J. Employer Contributions to Cost-Sharing Pension Plans

The Districts recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 9 and 10, employer contributions include portions for pension benefits and postretirement health care benefits.

K. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal payments.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

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

L. Interfund Activity

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. Interfund loans are reported as advances-in and advances-out. Advances are not reflected as assets and liabilities in the accompanying financial statements. 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 basic financial statements. Interfund activity between governmental funds are eliminated on the statement of net position - cash basis and the statement of activities - cash basis.

M. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2018.

N. Receipts and Disbursements

Program Receipts

In the statement of activities, receipts that are derived directly from each activity or from parties outside the District's taxpayers are reported as program receipts. The District has the following program receipts: charges for services and operating grants, contributions, and interest. All other governmental receipts are reported as general. All taxes are classified as general receipts even if restricted for a specific purpose.

O. Pensions/Other Postemployment Benefits (OPEB)

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements 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 of resources, fund equities/net position, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Change in Accounting Principles

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

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pension (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 affected the District's postemployment benefit plan disclosures, as presented in Note 10 to the basic financial statements.

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

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

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

C. Deficit Fund Balances

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

<u>Nonmajor funds</u>	<u>Deficit</u>
Other grants fund	\$ 11,170
IDEA, Part B	13,570
Title I	8,143

The general fund is liable for any deficit in these funds and provides transfers when cash is required. The deficit fund balances occurred in grant funds for which grant funding is provided on a reimbursement basis.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, 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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one-hundred- eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time;
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies; and,
9. High grade commercial paper in an amount not to exceed 5 percent of the District's total average portfolio.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash in Segregated Accounts

At fiscal year-end, \$5,457 was maintained in a checking account that the District established for funds related to athletics. This depository account is included in the total amount of "Deposits with Financial Institutions".

B. Deposits with Financial Institutions

At June 30, 2018, the carrying amount of all District's deposits was \$3,309,942, including \$490,000 in nonnegotiable certificates of deposit, and the bank balance of all District deposits was \$3,534,926. Of the bank balance, \$777,208 was covered by the FDIC and \$2,757,718 was covered by the Ohio Pooled Collateral System.

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

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

<u>Investment type</u>	<u>Carrying Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
STAR Ohio	\$ 1,835,235	\$ 1,835,235	\$ -	\$ -	\$ -	\$ -
U.S. Government money market	89,805	89,805	-	-	-	-
FNMA	90,000	-	-	-	-	90,000
Negotiable CD's	2,432,382	994,000	100,000	249,000	594,000	495,382
Commercial paper	984,487	984,487	-	-	-	-
Total	<u>\$ 5,431,909</u>	<u>\$ 3,903,527</u>	<u>\$ 100,000</u>	<u>\$ 249,000</u>	<u>\$ 594,000</u>	<u>\$ 585,382</u>

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

Credit Risk: The District's investments in commercial paper were rated P-1 by Moody's Investor Services. The District's investments in federal agency securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio and the governmental money market an AAAM money market rating. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard rating service. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2018:

<u>Investment type</u>	<u>Carrying Value</u>	<u>% of Total</u>
STAR Ohio	\$ 1,835,235	33.79
U.S. Government money market	89,805	1.65
FNMA	90,000	1.66
Negotiable CD's	2,432,382	44.78
Commercial paper	<u>984,487</u>	<u>18.12</u>
Total	<u>\$ 5,431,909</u>	<u>100.00</u>

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash as reported on the statement of net position as of June 30, 2018:

<u>Cash per note</u>	
Carrying amount of deposits	\$ 3,309,942
Investments	<u>5,431,909</u>
Total	<u>\$ 8,741,851</u>
 <u>Cash per statement of net position</u>	
Governmental activities	\$ 8,404,557
Private Purpose Trust Fund	\$ 222,013
Agency funds	<u>115,281</u>
Total	<u>\$ 8,741,851</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund transfers for the year ended June 30, 2018, consisted of the following, as reported on the fund financial statements:

<u>Transfers from the nonmajor governmental fund to:</u>		<u>Amount</u>
General fund		\$ 3,000
<u>Transfers from nonmajor governmental fund to:</u>		
Nonmajor governmental fund		<u>284,565</u>
Total		<u>\$ 287,565</u>

Transfers are used to move cash receipts from the fund that statute or budget required to collect them to the fund that statute or budget requires to disburse them and to use unrestricted cash receipts collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The \$3,000 transfer from the other grants fund (a nonmajor governmental fund) to the general fund was to reimburse the general fund for prior disbursements related to the Martha Holden Jennings Grant that were disbursed prior to the funds being received. The \$284,565 transfer from the permanent improvement fund (a nonmajor governmental fund) to the debt service fund (a nonmajor governmental fund) was to make debt service payments.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

- B.** Interfund advances for the year ended June 30, 2018, consisted of the following, as reported on the fund statements:

<u>Advances to general fund from:</u>	
Nonmajor governmental fund	<u>\$ 30,850</u>

The primary purpose of the interfund advances is to cover costs in specific funds where revenues were not received by June 30. These advances were to repay prior year advances.

Interfund advances between governmental funds are eliminated on the government-wide financial statements.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2018 represent the collection of calendar year 2017 taxes. Public utility real and personal property taxes received in calendar year 2018 became a lien on December 31, 2016, were levied after April 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Logan, Hardin and Union Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

	2017 Second Half Collections		2018 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 359,876,500	96.82	\$ 359,496,530	96.71
Public utility personal	<u>11,829,090</u>	<u>3.18</u>	<u>12,224,920</u>	<u>3.29</u>
Total	<u>\$ 371,705,590</u>	<u>100.00</u>	<u>\$ 371,721,450</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General operations	\$33.40		\$33.20	
Permanent improvement	2.00		2.00	

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 7 - LONG-TERM OBLIGATIONS

During the fiscal year 2018, the following changes occurred in the District's long-term obligations:

	Balance Outstanding <u>June 30, 2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2018</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
Capital Improvement Bonds, Series 2014:					
Various Purpose - HB 264	\$ 1,145,000	\$ -	\$ (155,000)	\$ 990,000	\$ 155,000
Air Conditioning	230,000	-	(30,000)	200,000	30,000
Tax Anticipation Notes, Series 2015	122,400	-	(61,200)	61,200	61,200
Tax Anticipation Notes, Series 2018	<u>-</u>	<u>2,120,000</u>	<u>-</u>	<u>2,120,000</u>	<u>-</u>
Total governmental activities	<u>\$ 1,497,400</u>	<u>\$ 2,120,000</u>	<u>\$ (246,200)</u>	<u>\$ 3,371,200</u>	<u>\$ 246,200</u>

Capital Improvement Bonds, Series 2014 - On March 25, 2014, the District issued \$1,925,000 in general obligation bonds this was a consolidated issue to combine two separate series of bonds. The bonds were issued to finance costs of (a) installing heating and air conditioning systems in school buildings and other facilities for District purposes and improving and equipping their sites (\$320,000), and (b) constructing, renovating, rehabilitating, furnishing, equipping and improving District buildings and facilities to conserve energy (\$1,605,000). The principal and interest payments are made from the debt service fund (a nonmajor governmental fund).

The bonds were issued for a ten year period with a final maturity of December 1, 2014. The bond issue consists entirely of current interest serial bonds at an interest rate of 1.0% to 4.0% for an approximate yield to maturity of 0.22% to 2.65%.

The following is a summary of the District's future annual debt service requirements to maturity for the Series 2014 Bonds:

Fiscal Year	Various Purpose - HB 264			Air Conditioning		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 155,000	\$ 27,363	\$ 182,363	\$ 30,000	\$ 5,575	\$ 35,575
2020	160,000	25,000	185,000	30,000	5,125	35,125
2021	160,000	22,200	182,200	35,000	4,550	39,550
2022	165,000	17,300	182,300	35,000	3,500	38,500
2023	170,000	10,600	180,600	35,000	2,100	37,100
2024	<u>180,000</u>	<u>3,600</u>	<u>183,600</u>	<u>35,000</u>	<u>700</u>	<u>35,700</u>
Total	<u>\$ 990,000</u>	<u>\$ 106,063</u>	<u>\$ 1,096,063</u>	<u>\$ 200,000</u>	<u>\$ 21,550</u>	<u>\$ 221,550</u>

Tax Anticipation Notes, Series 2015: During fiscal year 2015, the District issued \$306,000 in tax anticipation notes for capital improvements throughout the District. The notes were issued for a five year period with a final maturity date of December 1, 2018. The notes carry an interest rate of 2.90%. Principal and interest payments are made from the debt service fund (a nonmajor governmental fund).

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 7 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the District's future annual debt service requirements to maturity for the Series 2015 Notes:

Tax Anticipation Notes - 2015			
Fiscal Year	Principal	Interest	Total
2019	\$ 61,200	\$ 887	\$ 62,087

Tax Anticipation Notes, Series 2018: During fiscal year 2018, the District issued \$2,120,000 in tax anticipation notes for capital improvements throughout the District. The notes were issued for a ten year period with a final maturity date of December 1, 2027. The notes carry an interest rate of 3.55%. Principal and interest payments are made from the debt service fund (a nonmajor governmental fund).

The following is a summary of the District's future annual debt service requirements to maturity for the Tax Anticipation Notes, Series 2018:

Tax Anticipation Notes - 2018			
Fiscal Year	Principal	Interest	Total
2019	\$ -	\$ 93,866	\$ 93,866
2020	236,000	71,071	307,071
2021	236,000	62,693	298,693
2022	236,000	54,315	290,315
2023	236,000	45,937	281,937
2024-2028	1,176,000	104,086	1,280,086
Total	\$ 2,120,000	\$ 431,968	\$ 2,551,968

The District's total voted debt margin was \$32,264,931 with an unvoted debt margin of \$371,721 at June 30, 2018.

NOTE 8 - RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District maintains comprehensive commercial insurance coverage for real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims resulting from these risks have not exceeded the commercial coverage in any of the past three years.

The District's comprehensive commercial insurance coverage for real property and building contents has a liability limit of \$66,987,214 and a 100 percent coinsurance.

The District's fleet insurance has a liability limit of \$1,000,000, and \$5,000 for medical payments. The policy includes a \$1,000 deductible for comprehensive and collision coverage.

The District also has a \$1,000,000 general liability policy per occurrence/\$2,000,000 per aggregate, with an overall excess liability policy (umbrella) for a total limit of \$5,000,000.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 8 - RISK MANAGEMENT - (Continued)

B. Employee Benefits

The District's health insurance is provided through Anthem Blue Cross Blue Shield, the insurance provider for the Logan County Schools Benefit Plan Association. The District's vision plan is provided through Vision Service Plan (VSP). The District's dental plan is provided through Coresource. The District's life plan is provided through Sun Life America. These benefits are provided through the Logan County School Employee Consortium.

C. Workers' Compensation

For fiscal year 2018, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

The net pension liability represents the 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.

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

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$364,967 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

The District's contractually required contribution to STRS was \$1,177,513 for fiscal year 2018.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.07829520%	0.07508946%	
Proportion of the net pension liability current measurement date	<u>0.07856580%</u>	<u>0.07489799%</u>	
Change in proportionate share	<u>0.00027060%</u>	<u>-0.00019147%</u>	
Proportionate share of the net pension liability	\$ 4,694,133	\$ 17,792,178	\$ 22,486,311

Actuarial Assumptions - SERS

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

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

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

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

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

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	\$ 6,514,237	\$ 4,694,133	\$ 3,169,425

Actuarial Assumptions - STRS Ohio

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

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65	12.25 percent at age 20 to 2.75 percent at age 70
Investment rate of return	7.45 percent, net of investment expenses, including inflation	7.75 percent, net of investment expenses, including inflation
Payroll increases	3 percent	3.5 percent
Cost-of-living adjustments (COLA)	0.0 percent, effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date.

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

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 9 - DEFINED BENEFIT PENSION PLANS - (Continued)

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:

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

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

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

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

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
District's proportionate share of the net pension liability	\$ 25,504,482	\$ 17,792,178	\$ 11,295,718

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, 0.5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the District's surcharge obligation was \$38,285.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The District's contractually required contribution to SERS was \$51,802 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

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

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

Net OPEB Liability

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the net OPEB liability prior measurement date	0.07952660%	0.07489799%	
Proportion of the net OPEB liability current measurement date	<u>0.07952660%</u>	<u>0.07489799%</u>	
Change in proportionate share	<u>0.00000000%</u>	<u>0.00000000%</u>	
Proportionate share of the net OPEB liability	\$ 2,134,285	\$ 2,922,243	\$ 5,056,528

Actuarial Assumptions - SERS

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

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

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
District's proportionate share of the net OPEB liability	\$ 2,577,421	\$ 2,134,285	\$ 1,783,208
	1% Decrease (6.5 % decreasing to 4.0 %)	Current Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
District's proportionate share of the net OPEB liability	\$ 1,731,812	\$ 2,134,285	\$ 2,666,964

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - STRS

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

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

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

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

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

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

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 10 - DEFINED BENEFIT OPEB PLANS - (Continued)

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
District's proportionate share of the net OPEB liability	\$ 3,923,065	\$ 2,922,243	\$ 2,131,267
	1% Decrease	Current Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,030,249	\$ 2,922,243	\$ 4,096,212

NOTE 11 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement 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 District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2017-2018 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has finalized the impact of enrollment adjustments to the June 30, 2018 Foundation funding for the District. As a result of the adjustments, the District received an additional \$14,440 from ODE. This amount has not been included in the financial statements.

NOTE 12 - STATUTORY RESERVES

The District is required by State law 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.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 12 - STATUTORY RESERVES - (Continued)

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.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2017	\$ -
Current year set-aside requirement	312,948
Current year offsets	<u>(589,658)</u>
Total	<u>\$ (276,710)</u>
Balance carried forward to fiscal year 2019	<u>\$ -</u>
Set-aside balance June 30, 2018	<u>\$ -</u>

NOTE 13 - BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The budgetary comparison statement presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is (1) outstanding year end encumbrances are treated as disbursements (budget) rather than assigned fund balance (cash) and (2) certain funds are included in the general fund on a cash-basis, but budgeted as special revenue funds on a budget-basis.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund:

Net Change in Fund Balance

	<u>General fund</u>
Cash basis	\$ 5,829,151
Funds budgeted elsewhere **	(2,129,099)
Adjustment for encumbrances	<u>(412,767)</u>
Budget basis	<u>\$ 3,287,285</u>

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

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE 14 - COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General	\$ 433,453
Building	694,623
Other governmental	<u>256,559</u>
Total	<u>\$ 1,384,635</u>

NOTE 15 - TAX ABATEMENT AGREEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Logan County entered into Enterprise Zone (EZ) agreements with NK Parts Industries, Inc., NEX Transport, Inc. and Midwest Express, Inc. for the abatement of property taxes to bring jobs and economic development into the County. The agreements affect the property tax receipts collected and distributed to the District. Under the agreement, the District property taxes were reduced by \$144,794 during fiscal year 2018.

NOTE 16 – SUBSEQUENT EVENT

On November 6, 2018, voters within the District approved the passage of a substitute property tax levy. This levy substituted an existing levy for the purpose of providing for the necessary requirements of the school district in the initial sum of \$1,375,000 and a levy of taxes be made outside of the ten-mill limitation estimated by the county auditor to require three and eight-tenths (3.8) mills for each one dollar of valuation. The levy commenced in 2019 and will be payable in 2020.

NOTE 17 – RESTATEMENT OF FUND BALANCE AND NET POSITION

The District restated prior year fund balance/net position due to the Houk Scholarship Fund being previously classified within a special revenue fund; however, based on GASB 34/54 fund structure guidelines, the fund should be a private purpose trust fund. The restatement had the following effect on the prior year fund balance/net position:

	General	Building	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balance, June 30, 2017	\$6,112,887	\$0	\$1,396,189	\$7,509,076
Restatement	<u>-0-</u>	<u>-0-</u>	<u>(222,013)</u>	<u>(222,013)</u>
Restated Fund Balance, June 30, 2017	<u>\$6,112,887</u>	<u>\$0</u>	<u>\$1,174,176</u>	<u>\$7,287,063</u>

The restatement also had the following effect on prior year net position:

	Governmental Activities	Private Purpose Trust Fund
Net Position, June 30, 2017	\$7,509,076	-\$0-
Restatement	<u>(222,013)</u>	<u>222,013</u>
Restated Net Position, June 30, 2017	<u>\$7,287,063</u>	<u>\$222,013</u>

This page intentionally left blank.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster:		
School Breakfast Program:		
Non-Cash Assistance (Food Distribution)	10.553	\$ 1,343
Cash Assistance	10.553	44,610
Total School Breakfast Program		<u>45,953</u>
National School Lunch Program:		
Non-Cash Assistance (Food Distribution)	10.555	34,527
Cash Assistance	10.555	196,717
Total National School Lunch Program		<u>231,244</u>
Total Child Nutrition Cluster		<u>277,197</u>
Team Nutrition Grants	10.574	4,936
Total U.S. Department of Agriculture		<u>282,133</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education</i>		
Title I Grants to Local Educational Agencies	84.010	238,509
Special Education Cluster (IDEA):		
Special Education Grants to States	84.027	342,021
Total Special Education Cluster (IDEA)		<u>342,021</u>
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	46,021
Student Support and Academic Enrichment Program	84.424	10,000
Total U.S. Department of Education		<u>636,551</u>
Total Expenditures of Federal Awards		<u>\$ 918,684</u>

There were no amounts passed through to subrecipients.
There were no pass through entity indentifying numbers.

The accompanying notes are an integral part of this schedule.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY, OHIO**

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

NOTE A – BASIS OF PRESENTATION

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

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

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

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

Benjamin Logan Local School District
Logan County
4740 County Road 26
Bellefontaine, Ohio 43311

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Benjamin Logan Local School District, Logan County, (the District) as of and for the fiscal year ended June 30, 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 August 26, 2019, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the District restated fund balances and net position for the reclassification of the scholarship fund from governmental to fiduciary.

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. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-002 to be a material weakness.

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 matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and/or corrective action plan. We did not subject the District's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

August 26, 2019

OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza
130 West Second Street, Suite 2040
Dayton, Ohio 45402-1502
(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

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

Benjamin Logan Local School District
Logan County
4740 County Road 26
Bellefontaine, Ohio 43311

To the Board of Education:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on Child Nutrition Cluster

As described in finding 2018-003 in the accompanying schedule of findings, the District did not comply with requirements regarding Special Tests & Provisions applicable to its Child Nutrition Cluster major federal program. Compliance with this requirement is necessary, in our opinion, for the District to comply with requirements applicable to this program.

Qualified Opinion on Child Nutrition Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Child Nutrition Cluster* paragraph, the Benjamin Logan Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its *Child Nutrition Cluster* major federal program for the fiscal year ended June 30, 2018.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the Benjamin Logan Local School District complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings for the fiscal year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of findings as item 2018-004. Our opinion on each major federal program is not modified with respect to this matter.

The District's responses to our noncompliance findings are described in the accompanying schedule of findings and / or corrective action plan. We did not subject the District's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and a deficiency we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2018-003 to be a material weakness.

Benjamin Logan Local School District
Logan County
Independent Auditor's Report on Compliance With Requirements
Applicable to Each Major Federal Program and on Internal Control Over
Compliance Required by the Uniform Guidance
Page 3

A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2018-004 to be a significant deficiency.

The District's responses to our internal control over compliance findings are described in the accompanying schedule of findings and / or corrective action plan. We did not subject the District's responses to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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



Keith Faber
Auditor of State
Columbus, Ohio

August 26, 2019

This page intentionally left blank.

**BENJAMIN LOGAN LOCAL SCHOOL DISTRICT
LOGAN COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2018**

1. SUMMARY OF AUDITOR'S RESULTS
--

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified – Special Education Cluster (IDEA) Qualified – Child Nutrition Cluster
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster (IDEA) Child Nutrition Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2018-001

Noncompliance

Ohio Rev. Code § 117.38 provides, in part, that each public office, other than a state agency, 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 Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin. Code § 117-2-03(B) 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 similarly to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 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. The District should prepare its financial statements according to generally accepted accounting principles to provide users with more meaningful financial statements.

Officials' Response:

See Corrective Action Plan on page 70.

FINDING NUMBER 2018-002

Material Weakness – Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Governmental Accounting Standards Board (GASB) Codification 1300.113 and GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, paragraph 72 defines private purpose trust funds as funds that are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

GASB Codification 1800.168 and GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, paragraph 8 in part, states fund balance should be restricted when constraints placed on the use of resources are either: a. externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b. imposed by law through constitutional provisions or enabling legislation.

**FINDING NUMBER 2018-002
 (Continued)**

The District established the Patricia Houk Scholarship Fund to account for scholarship monies, which are held for the benefit of individual students. As of June 30, 2017 and June 30, 2018, the fund's ending balance was \$222,013. Contrary to GASB 34 and 54, the District failed to properly analyze individual special cost centers within funds and classified the fund within a special revenue fund with a restricted balance, rather than a private purpose trust fund. The fund was reclassified on the accompanying financial statements for June 30, 2017 and June 30, 2018.

In addition to the adjustments listed above, we also identified additional misstatements, ranging from \$4,936 to \$68,421, which we have brought to the District's attention.

The failure to correctly classify financial activity in the accounting records and financial statements may impact the user's understanding of the financial operations, the District's ability to make sound financial decisions or comply with budgetary law, and/or result in materially misstated reports.

To improve financial reporting and accountability, the District should implement procedures to verify the accuracy of amounts reported in the financial statements in accordance with applicable accounting standards.

Officials' Response:

See Corrective Action Plan on page 70.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

Verification Procedures

Finding Number:	2018-003
CFDA Number and Title:	Child Nutrition Cluster: CFDA #10.553 – School Breakfast Program CFDA #10.555 – National School Lunch Program
Federal Award Identification Number / Year:	2018
Federal Agency:	United States Department of Agriculture
Compliance Requirement:	Special Tests & Provisions – Verification of Free and Reduced Price Applications
Pass-Through Entity:	Ohio Department of Education
Repeat Finding from Prior Audit?	No

Noncompliance and Material Weakness

7 C.F.R. § 245.6a(c)(1) states the local educational agency must verify the eligibility of children in a sample of household applications approved for free and reduced-price meal benefits for that school year. **7 C.F.R. § 245.6a(e-f)** outline the procedures to be performed by the local educational agency during the verification process, as well as the required changes to be made to the eligibility determinations, as based on the results of the verification procedures.

**FINDING NUMBER 2018-003
(Continued)**

7 C.F.R. § 245.6a(h) states, in part, by February 15, each local educational agency must report information related to its annual statutorily required verification activity. Local educational agencies shall retain copies of the information reported under this section and all supporting documents for a minimum of three years. All verified applications must be readily retrievable on an individual school basis and include all documents submitted by the household for the purpose of confirming eligibility.

Ohio Rev. Code § 149.351(A) provides, in part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under sections 149.38 to 149.42 of the Revised Code.

The District was unable to provide documentation to support the required verification procedures were performed during the fiscal year ended June 30, 2018. However, the District submitted verification results on the School Food Authority (SFA) Verification Collection Report for School Year 2017 - 2018.

The District should establish and implement procedures to verify that the required verification are performed and all necessary documentation is properly maintained. Additionally, the District should establish and implement procedures to ensure all employees are made aware to maintain public records, as pursuant to the Ohio Revised Code. Failure to do so could result in potential loss of Federal grant funding.

Officials' Response:

See Corrective Action Plan on page 70.

Eligibility Procedures

Finding Number:	2018-004
CFDA Number and Title:	Child Nutrition Cluster: CFDA #10.553 – School Breakfast Program CFDA #10.555 – National School Lunch Program
Federal Award Identification Number / Year:	2018
Federal Agency:	United States Department of Agriculture
Compliance Requirement:	Eligibility
Pass-Through Entity:	Ohio Department of Education
Repeat Finding from Prior Audit?	No

Noncompliance and Significant Deficiency

7 C.F.R. § 245.1(a) establishes the responsibilities of State agencies, Food and Nutrition Service Regional Offices, and school food authorities or local education agencies, as defined in § 245.2, as applicable, in providing free and reduced-price meals in the National School Lunch Program and the School Breakfast Program. Section 9 of the National School Lunch Act, as amended, and Sections 3 and 4 of the Child Nutrition Act of 1966, as amended, require schools participating in any of the programs and commodity schools to make available, as applicable, free and reduced-price lunches, breakfasts, and, at the option of the school food authority for schools participating only in the Special Milk Program, free milk to eligible children. **7 C.F.R. § 245.3(c)** states, in part, each school food authority shall serve free and reduced-price meals or free milk in the respective programs to children eligible under its eligibility criteria.

FINDING NUMBER 2018-004
(Continued)

7 C.F.R. § 245.3(a) states, in part, each State agency, shall by July 1 of each year announce family-size income standards to be used by local educational agencies. Such family size income standards for free and reduced price meals and for free milk shall be in accordance with Income Eligibility Guidelines published by the Department by notice in the Federal Register.

The Income Eligibility Guidelines effective from July 1, 2017 through June 30, 2018 provide that children from households with incomes at or below 130 percent of the Federal poverty level are eligible to receive meals or milk free under the School Nutrition Programs. Children from households with incomes above 130 percent, but at or below 185 percent of the Federal poverty level, are eligible to receive reduced-price meals. Persons from households with incomes exceeding 185 percent of the poverty level pay the full price.

District Policy # 8531, *Free and Reduced-Price Meals*, states that "the Board designates the cafeteria manager to determine in accordance with Board standards, the eligibility of students for free and reduced-price meals." Additionally, the policy states that "children, eligible for free or reduced-price meals, shall be determined by the criteria established by the Child Nutrition Program and National School Lunch Act. These criteria are issued annually by the Federal government through the State Department of Education."

The District received a 2017 - 2018 Free and Reduced Price School Meals Family Application with three household members. Based on the three household members and the household gross income listed on the application, the student should have been eligible to receive reduced-price meals; however, the District incorrectly marked this student as being eligible to receive free meals, which resulted in \$70 more in federal funds than allowed. The application included a "principal approved free" handwritten note. The application's eligibility was not evaluated by the cafeteria manager, as specified in the District's policy, but was determined by the Activities Director.

To support compliance with Federal requirements and to reduce the possibility of excess funding and questioned costs with regards to the Federal Nutrition Cluster program, the District should review and follow the U.S.D.A. *Eligibility Manual for School Meals* and the U.S. Income Eligibility Guidelines when evaluating student applications for free and reduced-priced meals. Additionally, the District should establish and implement procedures to verify that the Cafeteria Manager reviews and approves all free and reduce meal applications. Failure to do so could result in the loss of future federal funding and possible questioned costs in future audits.

Officials' Response:

See Corrective Action Plan on page 70.



Benjamin Logan Local School District - *Every Student. Every Day.*

4740 CR 26, Bellefontaine, OH 43311-9532 • Phone 937-593-9211 • Fax 937-599-4059

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2 CFR 200.511(b)

JUNE 30, 2018

BOARD OF EDUCATION

Susan Allen
President

John Stanford
Vice-President

Karen Dill
Member

Deb Johnson
Member

Kathy Stierhoff
Member

David Harmon
Superintendent

Mandy G. France
Treasurer

Finding Number	Finding Summary	Status	Additional Information
2017-001	Payroll Bank Account Reconciliations.	Corrected	Presentation is shown on monthly reconciliation record that is given to the board in the regular financials.
2017-002	Ohio Rev. Code § 117.38 and Ohio Adm. Code § 117-2-03 (B) – Failed to file financial Statements prepared using generally accepted accounting principles. This was first reported for the fiscal year ended June 30, 2003.	Not Corrected	The School District acknowledges this requirement but will continue to report on the cash basis in order to save resources for the District.

HOME OF THE RAIDERS



Benjamin Logan Local School District - *Every Student. Every Day.*

4740 CR 26, Bellefontaine, OH 43311-9532 • Phone 937-593-9211 • Fax 937-599-4059

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) JUNE 30, 2018

BOARD OF EDUCATION

Susan Allen
President

John Stanford
Vice-President

Karen Dill
Member

Deb Johnson
Member

Kathy Stierhoff
Member

David Harmon
Superintendent

Mandy G. France
Treasurer

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	None – The School District is aware of this requirement but plans to continue to report on the cash basis in order to save resources.	N/A	Mandy France, CFO/Treasurer
2018-002	The classification of the fund will be corrected with the FY19 presentation of the Financials. The High School Guidance Counselor was given a copy of the specifics of the funds to assist in the disbursement of future scholarships in March 2019 and again on August 26, 2019 from the CFO/Treasurer.	FY19 Audit Period	Mandy France, CFO/Treasurer
2018-003	The Cafeteria Supervisor is now scanning all income eligibility forms in order to secure documents that may need to be reviewed and to meet the compliance of public records retention. She will also maintain the physical files in the records retention process in addition to the electronic records.	FY19 Audit Period	Mandy France, CFO/Treasurer
2018-004	The Cafeteria Supervisor is now scanning all income eligibility forms in order to secure documents that may need to be reviewed and to meet the compliance of public records retention. She will also maintain the physical files in the records retention process in addition to the electronic records.	FY19 Audit Period	Mandy France, CFO/Treasurer

HOME OF THE RAIDERS

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



BENJAMIN LOGAN LOCAL SCHOOL DISTRICT

LOGAN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 15, 2019**