



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2022

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OHIO AUDITOR OF STATE
KEITH FABER



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Board of Education
Bethel Local School District
7490 South State Route 201
Tipp City, Ohio 45371

We have reviewed the *Independent Auditor's Report* of Bethel Local School District, Miami County, prepared by BHM CPA Group, Inc., for the audit period July 1, 2021 through June 30, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Finding For Recovery

The District's former Superintendent, Justin Firks, was not physically in the office, did not use earned leave, did not have a scheduled meeting on his calendar, and could not provide other evidence to support his working on September 30, 2021, March 23, 2022, April 13, 2022, and June 3, 2022. Mr. Firks was paid an annual salary of \$130,000 over 260 workdays or \$500 per day. Therefore, \$2,000 of Mr. Firks gross salary could not be substantiated for these 4 days because of no evidence of working on District business.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against Justin Firks, and jointly and severally against the insurance company Ohio School Plan, and Treasurer Tina Hageman and her bonding company Travelers Casualty and Surety Company of America, in the amount of \$2,000, and in favor of the District's General Fund in the amount of \$2,000.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Bethel Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 29, 2023

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BETHEL LOCAL SCHOOL DISTRICT
For the Year Ended June 30, 2022
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INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bethel Local School District, Miami County, Ohio (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in cash-basis financial position thereof for the year then ended in accordance with the cash-basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 17 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the District. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

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

The Schedule of Expenditures of Federal Awards 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 is (are) presented for purposes of additional analysis and is (are) not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied to the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures 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 as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.



BHM CPA Group, Inc.
Piketon, Ohio
January 30, 2023

Bethel Local School District
 Miami County, Ohio
 Statement of Net Position - Cash Basis
 June 30, 2022

| | Governmental Activities |
|---|----------------------------|
| Cash Assets: | |
| Equity in pooled cash, cash equivalents and investments | \$ 29,809,233 |
| Total Cash Assets | \$ 29,809,233 |
| Net Cash Position: | |
| Restricted for: | |
| Capital projects | \$ 19,315,094 |
| Debt service | 734,269 |
| Food service operations | 677,549 |
| State/Federal education grants | 1,531 |
| Student activities | 178,885 |
| Other purposes | 15,391 |
| Unrestricted | 8,886,514 |
| Total Net Cash Position | \$ 29,809,233 |

See accompanying notes to the basic financial statements.

Bethel Local School District
Miami County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2022

| | | Program Cash Receipts | | | Net (Expenditure) Receipt and Changes in Net Cash Position |
|---|-----------------------|--------------------------------------|--|--|---|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | \$ 7,470,131 | \$ 183,996 | \$ 308,129 | \$ - | \$ (6,978,006) |
| Special | 2,426,001 | 35,998 | 353,310 | - | (2,036,693) |
| Other | 141,650 | 2,436 | - | - | (139,214) |
| Support Services: | | | | | |
| Pupils | 955,379 | 42,417 | 10,501 | - | (902,461) |
| Instructional staff | 448,394 | - | 22,493 | - | (425,901) |
| Board of education | 75,833 | - | - | - | (75,833) |
| Administration | 1,147,896 | - | - | - | (1,147,896) |
| Fiscal | 508,665 | - | - | - | (508,665) |
| Business | 99,036 | - | 29,477 | - | (69,559) |
| Operation and maintenance of plant | 1,288,614 | 8,960 | 18,639 | - | (1,261,015) |
| Pupil transportation | 934,660 | - | - | - | (934,660) |
| Central | 155,603 | - | 5,400 | - | (150,203) |
| Operation of non-instructional services | 539,184 | 147,186 | 804,096 | - | 412,098 |
| Extracurricular activities | 570,123 | 212,220 | 48,486 | - | (309,417) |
| Capital Outlay | 6,914,788 | - | - | 52,010 | (6,862,778) |
| Debt Service: | | | | | |
| Principal | 1,291,119 | - | - | - | (1,291,119) |
| Interest and fiscal charges | 1,796,345 | - | - | - | (1,796,345) |
| Total Governmental Activities | <u>\$ 26,763,421</u> | <u>\$ 633,213</u> | <u>\$ 1,600,531</u> | <u>\$ 52,010</u> | <u>(24,477,667)</u> |
| | | | | | |
| General Cash Receipts | | | | | |
| Property Taxes Levied for: | | | | | |
| General purposes | | | | | 3,745,935 |
| Debt service | | | | | 1,153,571 |
| Capital projects | | | | | 497,588 |
| Income Taxes Levied for: | | | | | |
| General purposes | | | | | 2,223,261 |
| Payments in Lieu of Taxes Received for: | | | | | |
| General purposes | | | | | 2,522,053 |
| Capital projects | | | | | 1,080,880 |
| Grants and entitlements not restricted to specific purposes | | | | | 6,871,734 |
| Interest | | | | | 27,783 |
| Miscellaneous | | | | | 30,131 |
| Total General Receipts | | | | | 18,152,936 |
| Change in Net Cash Position | | | | | (6,324,731) |
| Net Cash Position Beginning of Year | | | | | 36,133,964 |
| Net Cash Position End of Year | | | | | \$ 29,809,233 |

See accompanying notes to the basic financial statements.

Bethel Local School District
Miami County, Ohio
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2022

| | <u>General</u> | <u>Bond Retirement Fund</u> | <u>Capital Projects Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-------------------------------------|--------------------------------------|---|---|
| Cash Assets: | | | | | |
| Equity in pooled cash, cash equivalents and investments | \$ 3,789,234 | \$ 734,269 | \$ 23,835,815 | \$ 1,449,915 | \$ 29,809,233 |
| Total Cash Assets | <u>\$ 3,789,234</u> | <u>\$ 734,269</u> | <u>\$ 23,835,815</u> | <u>\$ 1,449,915</u> | <u>\$ 29,809,233</u> |
| Fund Cash Balances: | | | | | |
| Restricted for: | | | | | |
| Capital projects | \$ - | \$ - | \$ 18,738,535 | \$ 576,559 | \$ 19,315,094 |
| Debt service | - | 734,269 | - | - | 734,269 |
| Food service operations | - | - | - | 677,549 | 677,549 |
| Student activities | - | - | - | 178,885 | 178,885 |
| State/Federal education grants | - | - | - | 1,531 | 1,531 |
| Other purposes | - | - | - | 15,391 | 15,391 |
| Committed for: | | | | | |
| Capital projects | - | - | 5,097,280 | - | 5,097,280 |
| Assigned for: | | | | | |
| School activities | 81,413 | - | - | - | 81,413 |
| Future expenditures | 433,868 | - | - | - | 433,868 |
| Subsequent appropriations | 2,374,720 | - | - | - | 2,374,720 |
| Unassigned | <u>899,233</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>899,233</u> |
| Total Fund Cash Balances | <u>\$ 3,789,234</u> | <u>\$ 734,269</u> | <u>\$ 23,835,815</u> | <u>\$ 1,449,915</u> | <u>\$ 29,809,233</u> |

See accompanying notes to the basic financial statements.

Bethel Local School District
Miami County, Ohio

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2022

| | General | Bond Retirement Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|----------------------------|-----------------------------|--------------------------------|--------------------------------|
| Cash Receipts: | | | | | |
| Property and other local taxes | \$ 3,745,935 | \$ 1,153,571 | \$ - | \$ 497,588 | \$ 5,397,094 |
| Income tax | 2,223,261 | - | - | - | 2,223,261 |
| Payments in lieu of taxes | 2,522,053 | - | 1,080,880 | - | 3,602,933 |
| Intergovernmental | 6,658,956 | 30,291 | 112,300 | 1,599,274 | 8,400,821 |
| Interest | 9,466 | - | 18,317 | - | 27,783 |
| Tuition and fees | 233,870 | - | - | - | 233,870 |
| Extracurricular activities | 30,977 | - | - | 212,220 | 243,197 |
| Customer sales and services | - | - | - | 147,186 | 147,186 |
| Gifts and donations | 10,501 | - | 52,010 | 60,943 | 123,454 |
| Miscellaneous | 19,040 | - | - | 20,051 | 39,091 |
| Total Cash Receipts | 15,454,059 | 1,183,862 | 1,263,507 | 2,537,262 | 20,438,690 |
| Cash Disbursements: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 7,156,311 | - | - | 313,820 | 7,470,131 |
| Special | 2,092,877 | - | - | 333,124 | 2,426,001 |
| Other | 141,650 | - | - | - | 141,650 |
| Support Services: | | | | | |
| Pupils | 936,027 | - | - | 19,352 | 955,379 |
| Instructional staff | 441,567 | - | - | 6,827 | 448,394 |
| Board of education | 75,833 | - | - | - | 75,833 |
| Administration | 1,147,896 | - | - | - | 1,147,896 |
| Fiscal | 476,300 | 11,236 | 15,703 | 5,426 | 508,665 |
| Business | 14,898 | - | - | 84,138 | 99,036 |
| Operation and maintenance of plant | 1,215,094 | - | - | 73,520 | 1,288,614 |
| Pupil transportation | 842,774 | - | - | 91,886 | 934,660 |
| Central | 150,203 | - | - | 5,400 | 155,603 |
| Operation of non-instructional services | - | - | - | 539,184 | 539,184 |
| Extracurricular activities | 299,764 | - | - | 270,359 | 570,123 |
| Capital Outlay | 223,415 | - | 6,525,325 | 166,048 | 6,914,788 |
| Debt Service: | | | | | |
| Principal | - | 182,454 | 1,030,000 | 78,665 | 1,291,119 |
| Interest and fiscal charges | - | 868,633 | 920,638 | 7,074 | 1,796,345 |
| Total Cash Disbursements | 15,214,609 | 1,062,323 | 8,491,666 | 1,994,823 | 26,763,421 |
| Excess of Cash Receipts Over(Under) | | | | | |
| Cash Disbursements | 239,450 | 121,539 | (7,228,159) | 542,439 | (6,324,731) |
| Other Financing Sources (Uses): | | | | | |
| Advances in | - | - | - | 3,186 | 3,186 |
| Advances out | (3,186) | - | - | - | (3,186) |
| Transfers in | 7,913 | - | 700,000 | 22,493 | 730,406 |
| Transfers out | (700,000) | - | - | (30,406) | (730,406) |
| Total Other Financing Sources (Uses) | (695,273) | - | 700,000 | (4,727) | - |
| Net Change in Fund Cash Balance | (455,823) | 121,539 | (6,528,159) | 537,712 | (6,324,731) |
| Fund Cash Balance, Beginning of Year | 4,245,057 | 612,730 | 30,363,974 | 912,203 | 36,133,964 |
| Fund Cash Balance, End of Year | \$ 3,789,234 | \$ 734,269 | \$ 23,835,815 | \$ 1,449,915 | \$ 29,809,233 |

Bethel Local School District
Miami County, Ohio
Statement of Fiduciary Net Position - Cash Basis
June 30, 2022

| | <u>Private Purpose Trust Fund</u> |
|---|---------------------------------------|
| Cash Assets: | |
| Equity in pooled cash, cash equivalents and investments | <u>\$ 73,349</u> |
| Total Cash Assets | <u>\$ 73,349</u> |
| Net Cash Position - restricted for scholarships | <u><u>\$ 73,349</u></u> |

See accompanying notes to the basic financial statements.

Bethel Local School District
Miami County, Ohio
Statement of Change in Fiduciary Net Position - Cash Basis
For the Fiscal Year Ended June 30, 2022

| | Private Purpose Trust Fund |
|--|-------------------------------|
| Additions: | |
| Interest earnings | \$ 154 |
| Gifts and donations | 300 |
| Total Additions | 454 |
| Deductions: | |
| Payments in accordance with trust agreements | 300 |
| Total Deductions | 300 |
| Change in Net Cash Position | 154 |
| Net Cash Position, Beginning of Year | 73,195 |
| Net Cash Position, End of Year | \$ 73,349 |

See accompanying notes to the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

Basis of Presentation

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

Government-Wide Financial Statements

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

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

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

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

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

Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust that accounts for scholarship programs for students. Custodial funds are used to account for fiduciary activities that are not required to be reported in a trust fund. The School District's reports no custodial funds for the current fiscal year.

Basis of Accounting

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed and provided services not yet collected) and certain liabilities (such as accounts payable and expenses for goods and services received but not yet paid, and certain accrued expenses and liabilities) are not recorded in the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in pooled cash, cash equivalents, and investments". All investments of the cash management pool are considered to be cash and cash equivalents for financial reporting purposes.

During fiscal year 2022, investments included money market mutual funds, federal agency notes, Ohio municipal bonds, US treasury notes, and State Treasury Asset Reserve of Ohio (STAR Ohio). Investments, with the exception of STAR Ohio, are reported at cost.

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

For fiscal year 2022, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance or all deposits or withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$250 million, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participants will be combined for these purposes.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2022 amounted to \$9,466 which includes the general fund's allocation as well as the allocation of all funds not specified in the Board's resolution.

Budgetary Process

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

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

Capital Assets

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

Compensated Absences

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Obligations

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

Pension Systems

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

Net Position

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

Fund Balance

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Interfund Activity

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

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

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

NOTE 2 - COMPLIANCE

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

NOTE 3 - DEPOSITS AND INVESTMENTS

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

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

Inactive Monies – These monies have been identified by the Board of Education as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposits maturing no later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

Deposits

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

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

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

At fiscal year end, the carrying amount of the School District's deposits was \$793,310 and the bank balance was \$927,423. Federal Depository Insurance Corporation (FDIC) covered \$250,000 of the bank deposits at June 30, 2022, while the remaining \$677,423 was covered by pledged collateral as described above.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Investments

The School District's investments at June 30, 2022 included the following:

| | Carrying Value | % of Portfolio | Investment Maturities | |
|----------------------|----------------------|-------------------|-----------------------|----------------------|
| | | | < 1 year | 1 to 3 yrs |
| Federal Agency Notes | \$ 9,875,000 | 34.0% | \$ 500,000 | \$ 9,375,000 |
| OH Municipal Bonds | 2,185,000 | 7.5% | 1,915,000 | 270,000 |
| US Treasury Notes | 2,385,000 | 8.2% | 1,050,000 | 1,335,000 |
| Money Market Funds | 14,641,417 | 50.3% | 14,641,417 | - |
| STAR Ohio | 2,855 | 0.0% | 2,855 | - |
| Total | \$ 29,089,272 | 100.0% | \$ 18,109,272 | \$ 10,980,000 |

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

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

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

Concentration of Credit Risk – The School District's policy limits investment in commercial paper and bankers' acceptances to 25 percent of the total investment portfolio at the time of purchase. See table above for the percent of investment type to the total investment portfolio.

Custodial Credit Risk – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. \$3,517,482 of the money market accounts was covered FDIC insurance through the Insured Cash Sweep Network. The remaining money market accounts, along with STAR Ohio is rated AAAM by Standard and Poor's. Federal Agency Notes are rated AA+ by Standard and Poor's while the Ohio municipal bonds are rate Aa1- Aa3 by Moody's.

NOTE 4 - PROPERTY TAXES

Property taxes include amounts levied against all real estate and public utility property located in the School District. Real property taxes collected during 2022 were levied after April 1, 2021 on assessed values as of January 1, 2021, the lien date.

Assessed values are established by the county auditor at 35 percent of appraised market value. All property is required to be reappraised every six years, and equalization adjustments are made in the third year following reappraisal. The last reappraisal was completed in 2019. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable on June 20.

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

NOTE 4 - PROPERTY TAXES (Continued)

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

The tax rate per \$1,000 of assessed valuation was \$60.40 and the assessed values upon which the fiscal year 2022 receipts were based are as follows:

| | 2022 First Half Collections | 2021 Second Half Collections |
|---|--------------------------------|---------------------------------|
| Agricultural, residential, and other real property | \$ 169,426,110 | \$ 167,416,920 |
| Public utility personal property | 5,310,250 | 4,547,690 |
| Total | \$ 174,736,360 | \$ 171,964,610 |

NOTE 5 - INCOME TAXES

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

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

NOTE 6 - RISK MANAGEMENT

Property and Liability:

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

During fiscal year 2022, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 11). The School District contracts for automobile liability, education general liability and employee liability with OSP.

Insurance coverage provided includes the following:

| | |
|---|---------------|
| Building and Contents - replacement cost (\$1,000 deductible) | \$ 49,879,636 |
| Automobile Liability (\$0 deductible) | 2,000,000 |
| Uninsured Motorists | 250,000 |
| School Errors & Omissions Liability (\$2,500 deductible) | |
| Per occurrence | 2,000,000 |
| Annual aggregate | 4,000,000 |
| General Liability (\$0 deductible): | |
| Per occurrence | 2,000,000 |
| Annual aggregate | 4,000,000 |
| Umbrella Liability | 2,000,000 |
| Cyber Coverage | 1,000,000 |

NOTE 6 - RISK MANAGEMENT (Continued)

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

Workers' Compensation:

For fiscal year 2022, the School District participated in the Southwestern Ohio Educational Purchasing Council of Worker's Compensation Group Rating Plan (GRP), a workers' compensation insurance purchasing pool (see Note 11). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

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

Medical Benefits:

In fiscal year 2022, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (see Note 11). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated, and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the Southwestern Ohio Educational Purchasing Council (SOEPC). Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

NOTE 7 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, and Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2022, the 14% was allocated to only three of the funds (Pension Trust Fund, Death Benefit Fund and Medicare B Fund).

The School District's contractually required pension contribution to SERS was \$239,755 for fiscal year 2022.

Plan Description - State Teachers Retirement System (STRS)

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

NOTE 7 - 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 (CO) Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. 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. Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be 5 years of qualifying service credit and age 60, or 30 years of service credit regardless of age.

The DC Plan allows members to place all their member contributions and 9.53% of the 14% employer contributions into an investment account. The member determines how to allocate the member and employer money among various investment choices offered by STRS Ohio. The remaining 4.47% of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The CO Plan offers features of both the DB Plan and the DC Plan. In the CO Plan, 12% of the 14% member rate is deposited into the member's DC account 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 CO Plan payment is payable to a member on or after age 60 with 5 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 at age 50 and after termination of employment.

New members who choose the DC Plan or CO Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CO Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

A DB or CO Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members on or after July 1, 2013 must have at least 10 years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance.

Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2022, plan members were required to contribute 14% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2022 contribution rates were equal to the statutory maximum rates.

The School District's contractually required pension contributions to STRS was \$803,449 for fiscal year 2022.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Net Pension Liability

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

| | SERS | STRS | Total |
|--|-------------------|-------------------|--------------|
| Proportionate Share of the Net Pension Liability | \$ 1,597,755 | \$ 5,689,444 | \$ 7,287,199 |
| Proportion of the Net Pension Liability: | | | |
| Current Year | 0.0433030% | 0.0444978% | |
| Prior Year | <u>0.0384422%</u> | <u>0.0424549%</u> | |
| Change in Proportionate Share | <u>0.0048608%</u> | <u>0.0020429%</u> | |

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, are presented below:

| | |
|--|---|
| Inflation: | |
| Current measurement period | 2.40 percent |
| Prior measurement period | 3.00 percent |
| Future salary increases, including inflation | |
| Current measurement period | 3.25 percent to 13.58 percent |
| Prior measurement period | 3.50 percent to 18.20 percent |
| COLA or Ad Hoc COLA | |
| Current measurement period | 2.00 percent, on and after 4/1/2018, COLA's for future retirees will be delayed for 3 years following retirement. |
| Prior measurement period | 2.50 percent, on and after 4/1/2018, COLA's for future retirees will be delayed for 3 years following retirement. |
| Investment rate of return | |
| Current measurement period | 7.00 percent net of System expenses |
| Prior measurement period | 7.50 percent net of System expenses |
| Actuarial cost method | Entry Age Normal |

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Health Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2015 to June 30, 2020 adopted by the Board on April 15, 2021.

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

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------|-------------------|--|
| Cash | 2.00% | -0.33% |
| US equity | 24.75% | 5.72% |
| Non-US equity developed | 13.50% | 6.55% |
| Non-US equity emerging | 6.75% | 8.54% |
| Fixed income/global bonds | 19.00% | 1.14% |
| Private equity | 11.00% | 10.03% |
| Real estate/real assets | 16.00% | 5.41% |
| Multi-asset strategies | 4.00% | 3.47% |
| Private debt/private credit | 3.00% | 5.28% |

Discount Rate – Total pension liability was calculated using the discount rate of 7.0%. 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 (7.0%). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.0%, 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 (6.0%), or one percentage point higher (8.0%) than the current rate.

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|--|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$ 2,658,272 | \$ 1,597,755 | \$ 703,375 |

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|-------------------------------------|
| Inflation | 2.50% |
| Salary increases | 12.50% at age 20 to 2.50% at age 65 |
| Payroll increases | 3.00% |
| Investment rate of return, including inflation: | |
| Current measurement period | 7.00%, net of investment expenses |
| Prior measurement period | 7.45%, net of investment expenses |
| Discount rate of return | |
| Current measurement period | 7.00% |
| Prior measurement period | 7.45% |
| Cost-of-living adjustments (COLA) | 0.00% |

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

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

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

| <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>100.00%</u> | |

* - 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25% and is net of include investment expenses. Over a 30-year period, STRS Ohio's 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 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on pension plan investments of 7.00% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2021.

NOTE 7 - DEFINED BENEFIT PENSION PLANS (continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate –The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.00%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.00%) or one-percentage-point higher (8.00%) than the current rate:

| | 1% Decrease (6.00%) | Current Discount Rate (7.00%) | 1% Increase (8.00%) |
|---|------------------------|-------------------------------------|------------------------|
| School District's proportionate share of the net pension liability | \$ 10,654,199 | \$ 5,689,444 | \$ 1,494,236 |

Social Security System

All employees not covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2022, three of the members of the Board of Education has elected social security. The Board's liability is 6.2% of wages paid.

NOTE 8 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB)

Net OPEB Asset/Liability

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

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

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB asset and liability. Resulting adjustments to the net OPEB asset and 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)

SERS' Health Care program provides health care 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. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and, therefore, enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute.

Funding Policy—State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2022, there was no portion allocated 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 2022, the minimum compensation amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the School District's surcharge obligation was \$30,462.

Plan Description - State Teachers Retirement System (STRS)

The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS Board to offer this plan.

Coverage under the current program includes hospitalization, physicians' fees and prescription drugs for Medicare beneficiaries. This program allows STRS Ohio to recover part of the cost for providing prescription coverage since all eligible STRS health care plans include creditable prescription drug coverage. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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

Funding Policy—Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Asset/Liability

The net OPEB asset/liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB asset/liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share OPEB plans:

| | SERS | STRS | Total |
|---|-------------------|-------------------|------------|
| Proportionate Share of the Net: | | | |
| OPEB Asset | \$ - | \$ 938,200 | \$ 938,200 |
| OPEB Liability | 845,515 | - | 845,515 |
| Proportion of the Net OPEB Asset/Liability: | | | |
| Current Year | 0.0446752% | 0.0444978% | |
| Prior Year | <u>0.0399528%</u> | <u>0.0424549%</u> | |
| Change in Proportionate Share | <u>0.0047224%</u> | <u>0.0020429%</u> | |

Actuarial Assumptions – SERS

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

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation, prepared as of June 30, 2021, are presented below:

| | |
|--|--|
| Investment rate of return: | |
| Current measurement date | 7.00% of net investment expense, including inflation |
| Prior measurement date | 7.50% of net investment expense, including inflation |
| Wage inflation: | |
| Current measurement date | 2.40% |
| Prior measurement date | 3.00% |
| Future salary increases, including inflation | |
| Current measurement date | 3.25% to 13.58% |
| Prior measurement date | 3.50% to 18.20% |
| Municipal bond index rate: | |
| Current measurement date | 1.92% |
| Prior measurement date | 2.45% |
| Single equivalent interest rate, net of plan investment expense: | |
| Current measurement date | 2.27%, including price inflation |
| Prior measurement date | 2.63%, including price inflation |
| Medical Trend Assumption: | |
| Current measurement date | |
| Pre-Medicare | 6.75% - 4.40% |
| Medicare | 5.125% - 4.40% |
| Prior measurement date | |
| Pre-Medicare | 7.00% - 4.75% |
| Medicare | 5.25% - 4.75% |

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Health Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20% for males and set forward 2 years and adjusted 81.35% for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3% for males and set forward 3 years and adjusted 106.8% for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2015 to June 30, 2020 adopted by the Board on April 15, 2021.

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.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset 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 | 2.00% | -0.33% |
| US equity | 24.75% | 5.72% |
| Non-US equity developed | 13.50% | 6.55% |
| Non-US equity emerging | 6.75% | 8.54% |
| Fixed income/global bonds | 19.00% | 1.14% |
| Private equity | 11.00% | 10.03% |
| Real estate/real assets | 16.00% | 5.41% |
| Multi-asset strategies | 4.00% | 3.47% |
| Private debt/private credit | 3.00% | 5.28% |

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2021 was 2.27%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS at the state statute contribution rate of 1.5% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and no contributions from basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2042. 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, 2041 and the Municipal Bond Index rate of 1.92% as of June 30, 2021 (i.e., municipal bond rate) was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the 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 calculated using the discount rate of 2.27%, as well as what the School District’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.27%) and one percentage point higher (3.27%) than the current rate.

| | Current | | |
|---|--------------------|----------------------|--------------------|
| | <u>1% Decrease</u> | <u>Discount Rate</u> | <u>1% Increase</u> |
| Rate | 1.27% | 2.27% | 3.27% |
| School District's proportionate share of the net OPEB liability | \$ 1,047,695 | \$ 845,515 | \$ 683,999 |

The following table presents the net OPEB liability calculated using current health care cost trend rates, as well as what the School District’s net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (5.75% decreasing to 3.40%) and one percentage point higher (6.75% decreasing to 5.40%) than the current rates.

| | Current | | |
|---|---------------------------|---------------------------|---------------------------|
| | <u>1% Decrease</u> | <u>Trend Rate</u> | <u>1% Increase</u> |
| Rate | 5.75% decreasing to 3.40% | 6.75% decreasing to 4.40% | 7.75% decreasing to 5.40% |
| School District's proportionate share of the net OPEB liability | \$ 650,977 | \$ 845,515 | \$ 1,105,357 |

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

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

| | | |
|----------------------------|--|----------|
| Salary increases | 12.50% at age 20 to 2.50% at age 65 | |
| Payroll increases | 3.00% | |
| Investment rate of return: | | |
| Current measurement date | 7.00%, net of investment expenses, including inflation | |
| Prior measurement date | 7.45%, net of investment expenses, including inflation | |
| Discount rate of return: | | |
| Current measurement date | 7.00% | |
| Prior measurement date | 7.45% | |
| Health care cost trends: | Initial | Ultimate |
| Medical: | | |
| Pre-Medicare | 5.00% | 4.00% |
| Medicare | -16.18% | 4.00% |
| Prescription Drug | | |
| Pre-Medicare | 6.50% | 4.00% |
| Medicare | 29.98% | 4.00% |

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

Actuarial assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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>100.00%</u> | |

* - 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.25% and is net of include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

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

Discount Rate – The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on OPEB plan assets of 7.00% was used to measure the total OPEB liability as of June 30, 2021.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and the Health Care Cost Trend Rates – The following table presents the School District's proportionate share of the net OPEB asset calculated using the current period discount rate assumption of 7.00%, as well as what the School District's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00%) and one percentage point higher (8.00%) than the current rate. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|-------------------------------|--------------------------|-------------------------------|
| Rate | 6.00% | 7.00% | 8.00% |
| School District's proportionate share of the net OPEB asset | \$ 791,696 | \$ 938,200 | \$ 1,060,582 |
| | 1% Decrease in Trend Rates | Current Trend Rate | 1% Increase in Trend Rates |
| School District's proportionate share of the net OPEB asset | \$ 1,055,623 | \$ 938,200 | \$ 792,995 |

NOTE 9 - LONG-TERM DEBT OBLIGATIONS

The activity of the School District’s long-term debt obligations during fiscal year 2022 was as follows:

| | Amount Outstanding June 30, 2021 | Increase | Decrease | Amount Outstanding June 30, 2022 | Amount Due Within One Year |
|-------------------------------------|--|----------|----------------|--|----------------------------------|
| General Obligation Bonds: | | | | | |
| 2014-A School Improvement Bond | | | | | |
| Capital Appreciation | \$ 42,628 | \$ - | \$ (42,628) | \$ - | \$ - |
| 2014-B School Improvement Bond | | | | | |
| Capital Appreciation | 21,344 | - | (21,344) | - | - |
| 2021 Refunding Bonds | | | | | |
| Serial Interest (1.0%-4.25%) | 5,865,000 | - | - | 5,865,000 | - |
| Term Interest (4.0%-4.5%) | 12,595,000 | - | - | 12,595,000 | - |
| Capital Appreciation | 606,275 | - | (118,482) | 487,793 | 205,159 |
| Total General Obligation Bonds | 19,130,247 | - | (182,454) | 18,947,793 | 205,159 |
| 2020 Certificates of Participation: | | | | | |
| Serial Certificates (4.00%) | 7,670,000 | - | (1,030,000) | 6,640,000 | 420,000 |
| Term Certificates (2.5%-4.0%) | 20,830,000 | - | - | 20,830,000 | - |
| Total | 28,500,000 | - | (1,030,000) | 27,470,000 | 420,000 |
| Financed Purchases | 160,791 | - | (78,665) | 82,126 | 82,126 |
| Total Governmental Activities | \$ 47,791,038 | \$ - | \$ (1,291,119) | \$ 46,499,919 | \$ 707,285 |

General Obligations Bonds

In August of 2014, the School District issued \$22 million in general obligation bonds for the purpose of constructing a new high school, in two separate series. This bond issue consisted of serial interest, term interest and capital appreciation bonds, had interest rates ranging from 1.0 percent to 4.5 percent, and were originally scheduled to mature on November 1, 2051. The 2014 series-A capital appreciation bonds have a combined maturity value of \$455,000 and are set to mature on November 1, 2020 and November 1, 2021. The 2014 series-B capital appreciation bonds have a combined maturity value of \$250,000 and are set to mature on November 1, 2020 and November 1, 2021. As a result of the July 2020 refunding, as described below, the 2014 series-A and series-B bond issue were considered repaid in full during fiscal year 2022.

In July of 2020, the School District issued \$19,267,261 in taxable school improvement refunding bonds to provide resources to refund a portion of the 2014 bond issues. \$20,407,880 of proceeds and premiums from the 2020 refunding bonds were placed into an irrevocable trust and were used to pay the debt service on the 2014 bond issues at the November 2021 call date. The 2020 refunding bond issue consisted of serial interest, term interest and capital appreciation bonds, had interest rates ranging from 1.0 percent to 3.125 percent, and will fully mature on November 1, 2051. The 2020 appreciation bonds have a combined maturity value of \$2,520,000 and are set to mature on November 1, 2020 through November 1, 2025.

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

| Fiscal Year | Principal | Interest | Compounded Interest | Total |
|----------------|----------------------|---------------------|------------------------|----------------------|
| 2023 | \$ 205,159 | \$ 501,091 | \$ 319,841 | \$ 1,026,091 |
| 2024 | 135,329 | 501,091 | 289,671 | 926,091 |
| 2025 | 88,421 | 501,091 | 431,579 | 1,021,091 |
| 2026 | 58,884 | 501,091 | 466,116 | 1,026,091 |
| 2027 | 520,000 | 497,280 | - | 1,017,280 |
| 2028-2032 | 2,735,000 | 2,349,483 | - | 5,084,483 |
| 2033-2037 | 3,035,000 | 2,038,484 | - | 5,073,484 |
| 2038-2042 | 3,470,000 | 1,593,295 | - | 5,063,295 |
| 2043-2047 | 4,030,000 | 1,030,129 | - | 5,060,129 |
| 2048-2052 | 4,670,000 | 371,191 | - | 5,041,191 |
| Total | <u>\$ 18,947,793</u> | <u>\$ 9,884,226</u> | <u>\$ 1,507,207</u> | <u>\$ 30,339,226</u> |

Certificates of Participation

In November of 2020, the School District issued \$28,500,000 in certificates of participation through a direct placement sale. The certificates issued constitute proportionate undivided interest in the base rent payments to be paid by the School District as required by the land lease agreement entered into on the same date. The proceeds of the certificates are to be used to build and equip a new kindergarten through fifth grade school facility, a new athletic complex, as well as renovations to existing school facilities. The certificates issued consisted of \$7,670,000 of serial certificates as well as \$20,830,000 of term certificates. Payments are due on December 1 of each year with final maturity in 2049 and carry interest rates ranging from 2.50 percent to 4.00 percent.

NOTE 9 - LONG-TERM OBLIGATIONS (continued)

A summary of the School District's future debt service payments related to the certificates of participation follows:

| Fiscal Year | Principal | Interest | Total |
|----------------|----------------------|----------------------|----------------------|
| 2023 | \$ 420,000 | \$ 891,638 | \$ 1,311,638 |
| 2024 | 475,000 | 873,738 | 1,348,738 |
| 2025 | 500,000 | 854,238 | 1,354,238 |
| 2026 | 515,000 | 833,938 | 1,348,938 |
| 2027 | 570,000 | 812,238 | 1,382,238 |
| 2028-2032 | 3,350,000 | 3,684,387 | 7,034,387 |
| 2033-2037 | 4,455,000 | 2,906,887 | 7,361,887 |
| 2038-2042 | 5,625,000 | 2,057,837 | 7,682,837 |
| 2043-2047 | 6,815,000 | 1,162,737 | 7,977,737 |
| 2048-2050 | 4,745,000 | 198,069 | 4,943,069 |
| Total | <u>\$ 27,470,000</u> | <u>\$ 14,275,707</u> | <u>\$ 41,745,707</u> |

Financed Purchases

The School District was a party to two financed purchases at the beginning of the year; one was used to purchase 132 acres of land adjacent to the current school facilities location with the intent of building new school buildings in the future and the other to acquire four new school busses. In conjunction with the issuance of the certificates of participation in November 2020, the School District agreed to pay an early termination fee of \$135,000 to terminate the land lease as of that date. The payments associated with the termination of this lease are recorded within the capital projects fund. Financed purchase payments associated with the school buses are paid out of the permanent improvement fund (other governmental funds).

The School District's financed purchase requirements to maturity are as follows:

| Fiscal Year | Financed Purchase Payment |
|---|------------------------------|
| 2023 | \$ 85,740 |
| Total financed purchase payments | 85,740 |
| Less: Amount representing interest | <u>(3,614)</u> |
| Total present value of financed purchase payments | <u>\$ 82,126</u> |

NOTE 10 – JOINTLY GOVERNED ORGANIZATIONS

Metropolitan Educational Technology Association

The School District is a member of the Metropolitan Educational Technology Association (META). META is an association of public school districts in a geographical area determined by the Ohio Department of Education. META was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. The School District paid META \$42,816 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer, at 100 Executive Drive, Marion, Ohio, 43302.

NOTE 10 – JOINTLY GOVERNED ORGANIZATIONS (continued)

Western Ohio Computer Organization

The School District is a participant in the Western Ohio Computer Organization (WOCO). WOCO is a council of governments within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami, and Shelby Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member Districts. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member districts within each county plus a representative from the fiscal agent District. During fiscal year 2022, the School District paid \$55,654 to WOCO for various services. Financial information is available from Marcia Wierwille, Fiscal Officer, 129 East Court Street, Sidney, Ohio 45365.

Southwestern Ohio Educational Purchasing Cooperative

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2022, the School District did not make any payments to SOEPC, except for insurance premiums noted in Note 11. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center, Suite 208, Vandalia, Ohio 45377.

NOTE 11 - INSURANCE PURCHASING POOL

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

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

Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

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

Ohio School Plan

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

NOTE 12 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2022, if applicable, cannot be determined at this time.

Litigation

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

Full-Time Equivalency Review

The Ohio Department of Education conducts reviews of enrollment and full-time equivalency (FTE) calculations made by school districts within the State starting for fiscal year 2015. These reviews are being conducted to ensure the school districts are reporting accurate student enrollment data to the State, which is used in determining state funding allocations. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2022 Foundation funding for the District, however management does not anticipate having a significant impact on future State Foundation funding payments.

NOTE 13 – CAPITAL IMPROVEMENT SET-ASIDE

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

| | Capital Improvements |
|---|-------------------------|
| Set-aside reserve balance as of June 30, 2021 | \$ - |
| Current year set-aside requirement | 298,774 |
| Current year offsets: | |
| Permanent Improvement Levy | (567,774) |
| Total | \$ (269,000) |
| Balance carried forward to fiscal year 2023 | \$ - |
| Set-aside balance June 30, 2022 | \$ - |

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

NOTE 14 - COMMITMENTS

Encumbrances

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

| Fund | Year-End Encumbrances |
|------------------------------|--------------------------|
| General Fund | \$ 501,980 |
| Capital Projects Fund | 23,390,822 |
| Non-major Governmental Funds | 408,278 |
| | \$ 24,301,080 |

NOTE 15 – INTERFUND ACTIVITY

During fiscal year 2022, the School District reported the following transfers of monies between funds:

| Fund | Transfer In | Transfer Out |
|--------------------------|-------------|--------------|
| General Fund | \$ 7,913 | \$ 700,000 |
| Capital Projects Fund | 700,000 | - |
| Other Governmental Funds | 22,493 | 30,406 |
| Total All Funds | \$ 730,406 | \$ 730,406 |

The \$700,000 transfer from the General Fund to the Capital Projects Fund was to provide appropriate funding for the ongoing school facilities construction project. The \$7,913 transferred to the General Fund by the nonmajor governmental funds represented reimbursement of expenditures posted to the General Fund in prior periods. Finally, the \$22,493 transfer from a nonmajor governmental grant fund to another nonmajor governmental grant fund was made to allocate grant funding as permitted by the grant guidelines.

Also, during the fiscal year the General Fund advanced \$3,186 to the Title VI-B Grant (\$3,136) and Title III Grant (\$50) special revenue funds (nonmajor governmental funds) to cover operating expenditures until grant funding is received in subsequent years.

NOTE 16 – TAX ABATEMENTS

During fiscal year 2022, the School District's property tax receipts were reduced by \$337,534 under three Community Reinvestment Area (CRA) agreements entered into by the City of Huber Heights. Under Ohio Revised Code Sections 3735 and 5709, municipalities may offer a property tax incentive to an individual or entity for improvements within certain targeted areas. The CRA program abates 100 percent of the additional property tax resulting from the increase in assessed value as a result of the improvements, which are administered as a reduction in the property tax bill, for a period not to exceed 15 years.

During fiscal year 2022, the School District received \$3.6 million in payments in lieu of taxes from the City of Huber Heights.

NOTE 17 – COVID-19 PANDEMIC

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. Ohio's statement of emergency ended in June of 2021 while the national state of emergency continues. During fiscal year 2022, the School District received Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Additional funding has been made available through the Consolidated Appropriations Act, 2021, passed by Congress on December 21, 2020 and/or the American Rescue Plan Act, passed by Congress on March 11, 2021.

During fiscal year 2022, the School District received \$323,485 in Elementary and Secondary School Emergency Relief funding.

NOTE 18 – CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2022, the School District implemented several new Governmental Accounting Standards Board (GASB) Statements, none of which had any effect on the School District's cash basis financial statements.

GASB Statement No. 87, *Leases*, increases the usefulness of government financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability between governments by requiring lessees and lessors to report leases under a single model. Note disclosures will be enhanced including timing, significance, and purpose of a government's leasing arrangements. The School District evaluated any contract(s) it deemed to be covered by this Standard and determined none to be of any significance.

GASB Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*, requires interest costs incurred before the end of a construction period to be recognized as an expense in the period in which the interest is incurred for financial statements prepared using the economic resources measurement focus.

GASB Statement No. 92, *Omnibus 2020*, clarifies several components including; effective date of GASB Statement 87, inter-entity transfer of assets related to GASB Statements 73 and 74; nonrecurring fair value measurement contained in GASB Statement 84; and measurement of assets and liabilities associated with asset retirements

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, stipulates that with the elimination of the LIBOR rate, governments will need to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, either by changing the reference rate or adding or changing fallback provisions related to the reference rate. This statement further provides clarification of hedging accounting treatment for derivatives (GASB 53) when reference/hedging item reference rate is replaced and when certain lease contracts (GASB 87) are amended solely to replace LIBOR as the rate upon which variable payments depend.

GASB Statement No. 97 *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, defines what 457 plans meet the definition as a component unit to be included within a government's financial reporting entity.

Bethel Local School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

| Federal Grantor/ Pass Through Grantor/ Program Title | Pass Through Entity Number | Federal AL Number | Passed Through to Subrecipients | Disbursements |
|---|----------------------------------|-------------------------|---------------------------------------|---------------|
| United States Department of Agriculture | | | | |
| <i>Passed through the Ohio Department of Education</i> | | | | |
| <i>Child Nutrition Cluster:</i> | | | | |
| National School Lunch Program - Commodity Distribution | N/A | 10.555 | - | 42,697 |
| COVID-19 National School Lunch Program | N/A | 10.555 | - | 55,647 |
| National School Lunch Program | N/A | 10.555 | - | 481,079 |
| Total Child Nutrition Cluster | | | - | 579,423 |
| State Pandemic Electronic Benefit Transfer (P-EBT) Administrative Costs Grant | N/A | 10.649 | | 614 |
| Total United States Department of Agriculture | | | - | 580,037 |
| Institute of Museum and Library Services | | | | |
| <i>Passed Through State Library of Ohio</i> | | | | |
| COVID-19 Grants to States | VII-36-2 | 45.310 | - | 588 |
| Total Institute of Museum and Library Services | | | - | 588 |
| United States Department of Education | | | | |
| <i>Passed through the Ohio Department of Education</i> | | | | |
| Title I Grants to Local Educational Agencies | N/A | 84.010 | - | 66,850 |
| Special Education Cluster (IDEA) | | | | |
| Special Education Grants to States | N/A | 84.027 | - | 236,054 |
| Total Special Education Cluster (IDEA) | | | - | 236,054 |
| English Language Acquisition State Grants | N/A | 84.365 | - | 15,774 |
| Supporting Effective Instruction Grants | N/A | 84.367 | - | 22,493 |
| Student Support and Academic Enrichment Program | N/A | 84.424 | - | 10,000 |
| <i>COVID-19 Education Stabilization Fund:</i> | | | | |
| American Rescue Plan-Elementary and Secondary School Emergency Relief (ARP ESSER) | N/A | 84.425U | - | 323,443 |
| Total Education Stabilization Fund | | | - | 323,443 |
| Total United States Department of Education | | | - | 674,614 |
| Total Federal Financial Assistance | | | \$ - | \$ 1,255,239 |

See Accompanying Notes to the Schedule of Federal Awards Expenditures

**BETHEL LOCAL SCHOOL DISTRICT
MIAMI COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Bethel Local School District (the District's) under programs of the federal government for the year ended June 30, 2022. 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 Government assumes it expends federal monies first.

NOTE E – FOOD DONATION PROGRAM

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



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bethel Local School District, Miami County, (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 30, 2023, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the District.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2022-001.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and corrective action plan. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



BHM CPA Group, Inc.
Piketon, Ohio
January 30, 2023



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

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

To the Board of Education:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Bethel Local School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Bethel Local School District's major federal program for the year ended June 30, 2022. Bethel Local School District's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Bethel Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

The District's Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of this testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "BHM CPA Group". The letters are cursive and somewhat stylized.

BHM CPA Group, Inc.
Piketon, Ohio
January 30, 2023

**Bethel Local School District
Miami County, Ohio**

Schedule of Findings
2 CFR § 200.515
June 30, 2022

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|--------------|--|---|
| (d)(1)(i) | Type of Financial Statement Opinion | Unmodified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other significant deficiencies in internal control reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Program's Compliance Opinion | Unmodified |
| (d)(1)(vi) | Are there any reportable findings under 2CFR § 200.515(a)? | No |
| (d)(1)(vii) | Major Programs (list): | Child Nutrition Cluster, ALN #10.555 |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > \$750,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

**Bethel Local School District
Miami County, Ohio**

Schedule of Findings
2 CFR § 200.515
June 30, 2022

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

FINDING NUMBER 2022-001

Material Noncompliance Citation

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

The District should take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles.

Client Response: School District officials made the decision to prepare and present the financial statements using the OCBOA format as a means of saving time and money for the District.

3. FINDINGS FOR FEDERAL AWARDS AND QUESTIONED COSTS

None

**Bethel Local School District
Miami County, Ohio**

Summary Schedule of Prior Audit Findings
2 CFR § 200.511(b)
June 30, 2022

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|-----------------------|--|-------------------------|--|
| 2021-001 | Material Non-Compliance: OAC 117-2-03(B) the District is required to file its annual financial report in accordance with GAAP. | No | Reissued as Finding 2022-001 |
| 2021-002 | Material Non-Compliance: Appropriations exceeded amount certified as available by budget commission. | Yes | |
| 2021-003 | Material Weakness: Material errors noted in the District's 2021 financial statements | Yes | |
| 2021-004 | Material Non-Compliance/Material Weakness: District failed to verify applications for free and reduced price meal benefits for 2020-2021 school year | Yes | |
| 2021-005 | Material Non-Compliance/Finding For Recovery: District paid reimbursements that were not allowable | No | District overpaid employee; Reissued as management letter comment |

**Bethel Local School District
Miami County, Ohio**

Corrective Action Plan
2 CFR § 200.515
June 30, 2022

Corrective Action Plan for Finding 2022-001:

Finding Control Number: 2022-001

Summary of Finding: The Ohio Administrative Code requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of GASB Statement No. 34.

Statement of Concurrence: The District reluctantly eliminated the GAAP statements as part of a budget reduction.

Corrective Action: The District will continue to not prepare GAAP basis financial statements due to cost efficiencies gained in annual reporting.

Contact Person: The official responsible for completing the corrective action is listed below:

Tina Hageman
Bethel Local School District Treasurer
Phone: (937) 845-9414
Email: HagemanT@blsk12.org

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OHIO AUDITOR OF STATE KEITH FABER



BETHEL LOCAL SCHOOL DISTRICT

MIAMI COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 4/11/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov