

**BATAVIA LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
*(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017***

**MICHAEL ASHMORE, TREASURER**





# Dave Yost • Auditor of State

Board of Education  
Batavia Local School District  
800 Baurer Avenue  
Batavia, Ohio 45103

We have reviewed the *Independent Auditor's Report* of the Batavia Local School District, Clermont County, prepared by Julian & Grube, Inc., for the audit period July 1, 2016 through June 30, 2017. 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.

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. The Batavia Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

March 5, 2018

**This page intentionally left blank.**

**BATAVIA LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report .....	1 - 2
Management’s Discussion and Analysis .....	3 - 13
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	14
Statement of Activities .....	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	16
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	19
Statement of Net Position - Proprietary Funds .....	20
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds .....	21
Statement of Cash Flows - Proprietary Funds .....	22
Statement of Net Position - Fiduciary Funds.....	23
Statement of Changes in Net Position - Fiduciary Funds .....	24
Notes to the Basic Financial Statements.....	25 - 55
Required Supplementary Information:	
Schedule of the Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis) - General Fund .....	57
Schedule of School District’s Proportionate Share of the Net Pension Liability:	
School Employees Retirement System of Ohio .....	58
State Teachers Retirement System of Ohio .....	59
Schedule of School District Contributions:	
School Employees Retirement System of Ohio .....	60
State Teachers Retirement System of Ohio .....	61
Notes to Budgetary Required Supplementary Information .....	62 - 63
Supplementary Information:	
Schedule of Expenditures of Federal Awards.....	64
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	65 - 66
Independent Auditor’s Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	67 - 68
Schedule of Findings 2 <i>CFR</i> § 200.515.....	69 - 72
Corrective Action Plan 2 <i>CFR</i> § 200.511(c).....	73
Summary Schedule of Prior Audit Findings 2 <i>CFR</i> § 200.511(b).....	74

**This page intentionally left blank.**



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

### Independent Auditor's Report

Batavia Local School District  
Clermont County  
800 Bauer Avenue  
Batavia, Ohio 45103

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Batavia Local School District, Clermont County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Batavia Local School District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Batavia Local School District, Clermont County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis, required budgetary comparison schedule* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Supplementary Information***

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2017, on our consideration of the Batavia Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Batavia Local School District's internal control over financial reporting and compliance.





**BATAVIA LOCAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)  
YEAR ENDED JUNE 30, 2017**

This discussion and analysis provides key information from management highlighting the overall financial performance of the Batavia Local School District for the year ended June 30, 2017. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

**Financial Highlights**

Major financial highlights for fiscal year 2017 are listed below:

- ✓ The liabilities and deferred inflows of resources of the School District exceeded its assets and deferred outflows of resources at year-end by \$5.1 million driven primarily by recognition of the School District's proportionate share of State-wide pension systems' net pension liabilities.
- ✓ In total, net position decreased by approximately \$431,000.
- ✓ The School District had \$25.6 million in expenses related to governmental activities; only \$2.6 million of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$22.7 million, made up primarily of property taxes and State funding provided the majority of funding for these programs.
- ✓ The General Fund's fund balance improved by \$151,181 from a balance of \$755,800 at June 30, 2016 to a balance of \$906,981 at June 30, 2017.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the School District's basic financial statements. The School District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2017**  
**Unaudited**

---

---

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the School District's assets, liabilities and deferred outflows and inflows of resources, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, support services, administration, operation and maintenance of plant, and extracurricular activities. The business-type activities of the School District include food services and uniform school supplies.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2017**  
**Unaudited**

---

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between government funds and governmental activities.

The School District accounts for its activities using many individual funds. The most significant funds are reported in separate columns in the governmental fund financial statements. These statements provide detailed information about the individual major funds – unlike the government-wide financial statements, which report on the School District as a whole. Some funds are required to be established by State law. Also, the School District may also establish separate funds to show that it is meeting legal requirements for using grants or other money.

***Proprietary funds.*** The School District utilizes enterprise funds, which report the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same information as the government-wide financial statements, only in more detail.

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

**Notes to the basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to basic financial statements and accompanying notes, this report also contains required supplementary information concerning the budget of the General Fund and pension information.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2017**  
**Unaudited**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**A. Net position at year-end**

The following table presents a condensed summary of the School District's overall financial position at June 30, 2017 and 2016:

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>FY17</b>	<b>FY16</b>	<b>FY17</b>	<b>FY16</b>	<b>FY17</b>	<b>FY16</b>
Current and other assets	\$ 20,438,913	24,217,588	102,486	179,662	20,541,399	24,397,250
Capital assets	<u>27,685,365</u>	<u>26,240,140</u>	<u>26,322</u>	<u>29,576</u>	<u>27,711,687</u>	<u>26,269,716</u>
Total assets	<u>48,124,278</u>	<u>50,457,728</u>	<u>128,808</u>	<u>209,238</u>	<u>48,253,086</u>	<u>50,666,966</u>
Deferred outflows of resources	<u>6,136,604</u>	<u>2,893,557</u>	<u>172,623</u>	<u>63,782</u>	<u>6,309,227</u>	<u>2,957,339</u>
Long-term liabilities:						
Net pension liability	30,319,103	24,323,417	655,394	485,458	30,974,497	24,808,875
Other long-term amounts	17,487,916	18,323,145	13,607	7,796	17,501,523	18,330,941
Other liabilities	<u>2,000,849</u>	<u>4,369,455</u>	<u>53,491</u>	<u>71,294</u>	<u>2,054,340</u>	<u>4,440,749</u>
Total liabilities	<u>49,807,868</u>	<u>47,016,017</u>	<u>722,492</u>	<u>564,548</u>	<u>50,530,360</u>	<u>47,580,565</u>
Deferred inflows of resources	<u>9,089,102</u>	<u>10,633,792</u>	<u>17,401</u>	<u>53,027</u>	<u>9,106,503</u>	<u>10,686,819</u>
Net position:						
Net investment in capital assets	13,897,725	13,517,066	26,322	29,576	13,924,047	13,546,642
Restricted:						
For capital purposes	1,584,271	1,206,720	-	-	1,584,271	1,206,720
For debt service	3,971,552	3,613,534	-	-	3,971,552	3,613,534
Other purposes	534,638	652,224	-	-	534,638	652,224
Unrestricted (deficit)	<u>(24,624,274)</u>	<u>(23,288,068)</u>	<u>(464,784)</u>	<u>(374,131)</u>	<u>(25,089,058)</u>	<u>(23,662,199)</u>
Total net position	\$ <u>(4,636,088)</u>	<u>(4,298,524)</u>	<u>(438,462)</u>	<u>(344,555)</u>	<u>(5,074,550)</u>	<u>(4,643,079)</u>

In fiscal year 2015, the School District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, which significantly revised accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2017**  
**Unaudited**

---

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2017**  
**Unaudited**

---

In accordance with GASB No. 68, the School Districts statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

At year-end, investment in capital assets, net of accumulated depreciation and related debt used to acquire the assets was \$13,954,331. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Additionally, \$6,060,177 of the School District's net position represents resources that are subject to external restriction on how they may be spent. The external restriction will not affect the availability of fund resources for future use. Primarily as a result of recognizing its proportionate share of net pension liabilities required under GASB No. 68, the School District's unrestricted net position ended the fiscal year with a total deficit of \$25,089,058. If the net pension liability and related deferrals were excluded, the unrestricted net position reported by the School District would be only be a total deficit of \$278,783. As the operation of the state-wide pension systems are outside the control of the School District and varies significantly from year to year based on the performance of investments, it is important to acknowledge the recognition of the net pension liability has on the School District's reported net position.

Total assets decreased by approximately \$2.4 million, while total liabilities increased by \$2.9 million. The decrease in current and other assets and corresponding increase in capital assets of was attributable to using both available bond proceeds and State funds to finish work the new elementary school under the Ohio School Facilities Commission program. The increase in liabilities was primarily due lower investment returns experienced by the State-wide pensions systems increasing net pension liability. The increase in total liabilities was partially offset by decreases in payables associated with finishing of construction projects and other long-term amounts, as the School District made its required debt service payments.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2017**  
**Unaudited**

**B. Governmental and Business-type Activities during fiscal year 2017**

The following table presents a condensed summary of the School District's activities during fiscal year 2017 and 2016 and the resulting change in net position:

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>FY17</b>	<b>FY16</b>	<b>FY17</b>	<b>FY16</b>	<b>FY17</b>	<b>FY16</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services and sales	\$ 1,415,469	1,315,592	323,064	320,368	1,738,533	1,635,960
Operating grants and contributions	1,204,468	1,494,615	677,934	626,526	1,882,402	2,121,141
Total program revenues	2,619,937	2,810,207	1,000,998	946,894	3,620,935	3,757,101
General revenues:						
Property taxes	7,806,572	8,682,483	-	-	7,806,572	8,682,483
Payments in lieu of taxes	2,171,253	1,884,076	-	-	2,171,253	1,884,076
Grants and entitlements	11,577,783	11,469,068	-	-	11,577,783	11,469,068
Investment earnings	13,270	23,959	-	-	13,270	23,959
Miscellaneous	1,082,866	656,407	-	-	1,082,866	656,407
Total general revenues	22,651,744	22,715,993	-	-	22,651,744	22,715,993
<b>Total revenues</b>	<b>25,271,681</b>	<b>25,526,200</b>	<b>1,000,998</b>	<b>946,894</b>	<b>26,272,679</b>	<b>26,473,094</b>
<b>Expenses:</b>						
Instruction	17,923,703	15,980,477	-	-	17,923,703	15,980,477
Support services:						
Pupil	402,611	373,620	-	-	402,611	373,620
Instructional staff	202,100	155,332	-	-	202,100	155,332
Board of Education	256,421	274,926	-	-	256,421	274,926
Administration	1,701,308	1,398,312	-	-	1,701,308	1,398,312
Fiscal	687,065	658,267	-	-	687,065	658,267
Operation and maintenance of plant	1,515,094	1,358,801	-	-	1,515,094	1,358,801
Pupil transportation	1,689,637	1,498,634	-	-	1,689,637	1,498,634
Central	151,498	141,871	-	-	151,498	141,871
Non-instructional services	449,065	438,732	-	-	449,065	438,732
Interest and fiscal charges	630,743	645,107	-	-	630,743	645,107
Food services	-	-	995,676	777,163	995,676	777,163
Uniform school supplies	-	-	99,229	88,405	99,229	88,405
<b>Total expenses</b>	<b>25,609,245</b>	<b>22,924,079</b>	<b>1,094,905</b>	<b>865,568</b>	<b>26,704,150</b>	<b>23,789,647</b>
Change in net position	(337,564)	2,602,121	(93,907)	81,326	(431,471)	2,683,447
Beginning net position	(4,298,524)	(6,900,645)	(344,555)	(425,881)	(4,643,079)	(7,326,526)
<b>Ending net position</b>	<b>\$ (4,636,088)</b>	<b>(4,298,524)</b>	<b>(438,462)</b>	<b>(344,555)</b>	<b>(5,074,550)</b>	<b>(4,643,079)</b>

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2017**  
**Unaudited**

---

Of the total governmental activities revenues of \$25,271,681, \$2,619,937 (10%) is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, 34% (\$7,806,572) comes from property tax levies and 51% (\$11,577,783) comes from state funding. The School District's operations are reliant upon its property tax levy and the state's foundation program.

Total revenue only decreased by about \$200,000, or less than 1%. Total expenses increased by \$3 million, or 12%. Factors contributing to the increase include a 3% salary increase to District staff and increased net pension expenses associated with the increase in net pension liabilities.

***Governmental Activities***

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 10% of the cost of the general government programs was recouped in program revenues.

Instruction costs were \$17,923,703, but program revenue contributed to fund 14% of those costs. Thus, general revenues of \$15,462,752 were needed to support of remainder of the instruction costs.

		<b>Governmental Activities</b>			
		<b>Total Cost of Services</b>	<b>Program Revenue</b>	<b>Revenues as a % of Total Costs</b>	<b>Net Cost of Services</b>
Instruction	\$	17,923,703	2,460,951	14%	15,462,752
Support services		6,605,734	15,437	0%	6,590,297
Non-instructional services		449,065	143,549	32%	305,516
Interest and fiscal charges		<u>630,743</u>	-	0%	<u>630,743</u>
<b>Total</b>	\$	<u>25,609,245</u>	<u>2,619,937</u>	<u>10%</u>	<u>22,989,308</u>



**BATAVIA LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2017**  
**Unaudited**

---

***Business-type Activities***

Net position of the business-type activities decreased by \$93,907, compared to the increase of \$81,326 in the prior fiscal year, due to contracting out the food service administration.

The following table presents the total cost of each of the School District's business segments and the net cost after deducting the revenues generated by each segment.

	<b>Business-type Activities</b>			
	<b>Total Cost of Services</b>	<b>Program Revenue</b>	<b>Revenues as a % of Total Costs</b>	<b>Net Cost (Revenue) of Services</b>
Food services	\$ 995,676	909,165	91%	86,511
School supplies	<u>99,229</u>	<u>91,833</u>	93%	<u>7,396</u>
<b>Total</b>	\$ <u>1,094,905</u>	<u>1,000,998</u>	<u>91%</u>	<u>93,907</u>

**FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS**

**Governmental funds**

The School District has three major governmental funds: the General Fund, the Debt Service Fund, and the Classroom Facilities Project Fund. Assets of these three funds comprised 94% (\$19,308,234) of the total \$20,460,863 governmental fund assets.

**General Fund.** Fund balance at June 30, 2017 was \$906,981, an increase of \$151,181 from the prior fiscal year, as revenues increased by approximately \$410,000, or 2%, due to increased school foundation funding. Total expenditures increased by approximately \$1.3 million, or 6% primarily due to 3% wage increases to staff.

**Debt Service Fund.** Fund balance at June 30, 2017 was \$4,034,509. The Debt Service Fund is used to accumulate resources to pay general obligation bonds. The required bond payments were made as scheduled during the current fiscal year. The fund's cash balance at year-end is adequate to make the required debt payments for the year ended June 30, 2018.

**Classroom Facilities Project Fund.** This fund was established to account for the construction of a new elementary school building under the Ohio School Facilities Commission program. The elementary school building was opened to students during fiscal year 2017.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2017**  
**Unaudited**

---

**Proprietary funds**

*Food Service Fund.* This fund was established to account for the School District's cafeteria operations. The fund experienced a decrease of \$86,511, due to outsourcing the food service administration, as previously discussed.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The schedule comparing the School District's original and final budgets and actual results is included in the required supplementary information. During fiscal year 2017, the School District amended its General Fund budget with Clermont County as changes occurred in School District revenues and expenditures.

The original budget was increased by 2% to account for additional school foundation revenue. Actual revenue came in slightly higher due to conservative budgeting and higher than anticipated school foundation revenue. Original budgeted expenditures were increased by 3% during the year to account for 3% wage increase. Actual expenditures and transfers came in \$524,446 under budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets**

At June 30, 2017, the School District had invested in a broad range of capital assets, including land, construction in progress, buildings, equipment and vehicles. See Note 5 to the financial statements for more detail.

**Capital Assets at Year-End  
(Net of Depreciation)**

		<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
		<u>FY17</u>	<u>FY16</u>	<u>FY17</u>	<u>FY16</u>	<u>FY17</u>	<u>FY16</u>
Land	\$	1,230,447	1,230,447	-	-	1,230,447	1,230,447
Construction in progress		2,172,433	20,098,021	-	-	2,172,433	20,098,021
Land improvements		13,774	76,249	-	-	13,774	76,249
Buildings and improvements		23,926,133	4,555,059	-	-	23,926,133	4,555,059
Equipment and furniture		6,328	81,216	26,322	29,576	32,650	110,792
Vehicles		336,250	199,148	-	-	336,250	199,148
Total	\$	<u>27,685,365</u>	<u>26,240,140</u>	<u>26,322</u>	<u>29,576</u>	<u>27,711,687</u>	<u>26,269,716</u>

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2017**  
**Unaudited**

---

---

**Debt**

As of June 30, 2017, the School District had \$16,122,448 outstanding in general obligation bonds after making \$885,000 in principal payments during the fiscal year. See Note 10 to the financial statements.

**REQUESTS FOR ADDITIONAL INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office at the Batavia Local School District, 800 Bauer Avenue, Batavia, Ohio 45103.

## BATAVIA LOCAL SCHOOL DISTRICT

### Statement of Net Position

June 30, 2017

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$ 5,323,756	\$ 82,541	\$ 5,406,297
Receivables:			
Taxes	9,473,878	-	9,473,878
Intergovernmental	2,632,012	-	2,632,012
Supplies inventory	-	19,945	19,945
Restricted cash and cash equivalents	3,009,267	-	3,009,267
Nondepreciable capital assets	3,402,880	-	3,402,880
Depreciable capital assets, net	<u>24,282,485</u>	<u>26,322</u>	<u>24,308,807</u>
<b>Total assets</b>	<u>48,124,278</u>	<u>128,808</u>	<u>48,253,086</u>
<b>Deferred Outflows of Resources:</b>			
Pensions	<u>6,136,604</u>	<u>172,623</u>	<u>6,309,227</u>
<b>Liabilities:</b>			
Accounts payable	231,154	6,784	237,938
Accrued wages and benefits payable	1,438,636	38,000	1,476,636
Intergovernmental payable	282,630	8,707	291,337
Accrued interest payable	48,429	-	48,429
Noncurrent liabilities:			
Due within one year	1,014,570	2,821	1,017,391
Due within more than one year:			
Net pension liability	30,319,103	655,394	30,974,497
Other amounts due more than one year	<u>16,473,346</u>	<u>10,786</u>	<u>16,484,132</u>
<b>Total liabilities</b>	<u>49,807,868</u>	<u>722,492</u>	<u>50,530,360</u>
<b>Deferred Inflows of Resources:</b>			
Property taxes	7,219,498	-	7,219,498
Payment in lieu of taxes	1,742,000	-	1,742,000
Pensions	<u>127,604</u>	<u>17,401</u>	<u>145,005</u>
<b>Total deferred inflows of resources</b>	<u>9,089,102</u>	<u>17,401</u>	<u>9,106,503</u>
<b>Net Position:</b>			
Net investment in capital assets	13,928,009	26,322	13,954,331
Restricted for:			
Capital projects	1,584,271	-	1,584,271
Debt service	3,941,268	-	3,941,268
Other purposes	534,638	-	534,638
Unrestricted (deficit)	<u>(24,624,274)</u>	<u>(464,784)</u>	<u>(25,089,058)</u>
<b>Total net position</b>	<u>\$ (4,636,088)</u>	<u>\$ (438,462)</u>	<u>\$ (5,074,550)</u>

See accompanying notes to the basic financial statements.

**BATAVIA LOCAL SCHOOL DISTRICT**

Statement of Activities  
Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Governmental Activities:</b>						
Instruction:						
Regular	\$ 12,157,186	\$ 1,271,920	\$ 149,165	\$ (10,736,101)	\$ -	\$ (10,736,101)
Special education	5,741,450	-	1,039,866	(4,701,584)	-	(4,701,584)
Other instruction	25,067	-	-	(25,067)	-	(25,067)
Support services:						
Pupil	402,611	-	-	(402,611)	-	(402,611)
Instructional staff	202,100	-	10,037	(192,063)	-	(192,063)
Board of Education	256,421	-	-	(256,421)	-	(256,421)
Administration	1,701,308	-	-	(1,701,308)	-	(1,701,308)
Fiscal	687,065	-	5,400	(681,665)	-	(681,665)
Operation and maintenance of plant	1,515,094	-	-	(1,515,094)	-	(1,515,094)
Pupil transportation	1,689,637	-	-	(1,689,637)	-	(1,689,637)
Central	151,498	-	-	(151,498)	-	(151,498)
Non-instructional services:						
Extracurricular activities	449,065	143,549	-	(305,516)	-	(305,516)
Interest on long-term debt	630,743	-	-	(630,743)	-	(630,743)
<b>Total Governmental Activities</b>	<u>25,609,245</u>	<u>1,415,469</u>	<u>1,204,468</u>	<u>(22,989,308)</u>	<u>-</u>	<u>(22,989,308)</u>
<b>Business-Type Activities:</b>						
Food Service	995,676	231,231	677,934	-	(86,511)	(86,511)
Uniform School Supplies	99,229	91,833	-	-	(7,396)	(7,396)
<b>Total Business-Type Activities</b>	<u>1,094,905</u>	<u>323,064</u>	<u>677,934</u>	<u>-</u>	<u>(93,907)</u>	<u>(93,907)</u>
	<u>\$ 26,704,150</u>	<u>\$ 1,738,533</u>	<u>\$ 1,882,402</u>	<u>(22,989,308)</u>	<u>(93,907)</u>	<u>(23,083,215)</u>
<b>General Revenues:</b>						
Property taxes, levied for general purposes				6,479,996	-	6,479,996
Property taxes, levied for debt services				1,244,645	-	1,244,645
Property taxes, levied for classroom maintenance				81,931	-	81,931
Payments in lieu of taxes				2,171,253	-	2,171,253
Grants and entitlements not restricted to specific programs				11,577,783	-	11,577,783
Investment earnings				13,270	-	13,270
Miscellaneous				1,082,866	-	1,082,866
<b>Total general revenues</b>				<u>22,651,744</u>	<u>-</u>	<u>22,651,744</u>
Change in net position				(337,564)	(93,907)	(431,471)
Net position beginning of year				(4,298,524)	(344,555)	(4,643,079)
Net position end of year				<u>\$ (4,636,088)</u>	<u>\$ (438,462)</u>	<u>\$ (5,074,550)</u>

See accompanying notes to the basic financial statements.

## BATAVIA LOCAL SCHOOL DISTRICT

Balance Sheet  
 Governmental Funds  
 June 30, 2017

	General	Debt Service	Classroom Facilities Project	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Equity in pooled cash and cash equivalents	\$ 745,177	\$ 3,669,937	\$ -	\$ 908,642	\$ 5,323,756
Restricted cash and cash equivalents	78,607	-	2,930,660	-	3,009,267
Receivables:					
Taxes	7,365,605	1,968,305	-	139,968	9,473,878
Intergovernmental	1,399,561	329,980	798,452	104,019	2,632,012
Interfund receivable	21,950	-	-	-	21,950
<b>Total assets</b>	<u>\$ 9,610,900</u>	<u>\$ 5,968,222</u>	<u>\$ 3,729,112</u>	<u>\$ 1,152,629</u>	<u>\$ 20,460,863</u>
<b>Liabilities:</b>					
Accounts payable	\$ 76,967	\$ -	\$ 148,464	\$ 5,723	\$ 231,154
Accrued wages and benefits payable	1,361,460	-	-	77,176	1,438,636
Intergovernmental payable	282,630	-	-	-	282,630
Interfund payable	-	-	-	21,950	21,950
<b>Total liabilities</b>	<u>1,721,057</u>	<u>-</u>	<u>148,464</u>	<u>104,849</u>	<u>1,974,370</u>
<b>Deferred Inflows of Resources:</b>					
Property taxes	5,506,362	1,590,428	-	122,708	7,219,498
Payments in lieu of taxes	1,395,600	329,980	-	16,420	1,742,000
Unavailable revenue	80,900	13,305	798,452	88,567	981,224
<b>Total deferred inflows of resources</b>	<u>6,982,862</u>	<u>1,933,713</u>	<u>798,452</u>	<u>227,695</u>	<u>9,942,722</u>
<b>Fund Balances:</b>					
Restricted	78,607	4,034,509	2,782,196	909,110	7,804,422
Assigned	347,851	-	-	2,994	350,845
Unassigned	480,523	-	-	(92,019)	388,504
<b>Total fund balances</b>	<u>906,981</u>	<u>4,034,509</u>	<u>2,782,196</u>	<u>820,085</u>	<u>8,543,771</u>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<u>\$ 9,610,900</u>	<u>\$ 5,968,222</u>	<u>\$ 3,729,112</u>	<u>\$ 1,152,629</u>	<u>\$ 20,460,863</u>

See accompanying notes to the basic financial statements.

**BATAVIA LOCAL SCHOOL DISTRICT**  
Reconciliation of Total Governmental Fund Balances to  
Net Position of Governmental Activities  
June 30, 2017

<b>Total Governmental Fund Balances</b>		\$ 8,543,771
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		27,685,365
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds.		981,224
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(16,277,795)	
Accreted interest on bonds	(58,117)	
Compensated absences	(1,134,420)	
Capital leases	(17,584)	
Accrued interest payable	<u>(48,429)</u>	
Total		(17,536,345)
The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows and inflows of resources are not reported in the governmental funds:		
Deferred outflows - pensions	6,136,604	
Deferred inflows - pensions	(127,604)	
Net pension liability	<u>(30,319,103)</u>	
Total		<u>(24,310,103)</u>
Net Position of Governmental Activities		\$ <u>(4,636,088)</u>

See accompanying notes to the basic financial statements.

## BATAVIA LOCAL SCHOOL DISTRICT

### Statement of Revenues, Expenditures, and Changes in Fund Balances

#### Governmental Funds

Year Ended June 30, 2017

	General	Debt Service	Classroom Facilities Project	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 6,693,345	\$ 1,275,828	\$ -	\$ 84,240	\$ 8,053,413
Tuition and fees	1,271,920	-	-	-	1,271,920
Investment earnings	8,430	-	4,174	666	13,270
Payments in lieu of taxes	1,749,689	393,634	-	27,930	2,171,253
Intergovernmental	11,313,539	196,634	437,218	1,196,427	13,143,818
Other local revenues	930,055	-	-	296,360	1,226,415
<b>Total revenues</b>	<u>21,966,978</u>	<u>1,866,096</u>	<u>441,392</u>	<u>1,605,623</u>	<u>25,880,089</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular	10,623,480	-	-	214,605	10,838,085
Special education	4,610,321	-	-	940,638	5,550,959
Other instruction	14,872	-	-	-	14,872
Support services:					
Pupil	368,986	-	-	-	368,986
Instructional staff	133,147	-	-	53,363	186,510
Board of Education	251,572	-	-	3,935	255,507
Administration	1,531,654	-	-	2,799	1,534,453
Fiscal	636,063	22,875	-	7,038	665,976
Operation and maintenance of plant	1,422,939	-	-	-	1,422,939
Pupil transportation	1,553,917	-	-	162,500	1,716,417
Central	133,698	-	-	17,800	151,498
Non-instructional services:					
Extracurricular activities	250,100	-	-	132,311	382,411
Capital outlay	-	-	2,172,433	11,092	2,183,525
Debt Service:					
Principal	97,528	855,000	-	-	952,528
Interest and fiscal charges	22,520	601,859	-	-	624,379
<b>Total expenditures</b>	<u>21,650,797</u>	<u>1,479,734</u>	<u>2,172,433</u>	<u>1,546,081</u>	<u>26,849,045</u>
Excess of revenues over (under) expenditures	<u>316,181</u>	<u>386,362</u>	<u>(1,731,041)</u>	<u>59,542</u>	<u>(968,956)</u>
<b>Other financing sources (uses):</b>					
Transfers in	-	-	-	165,000	165,000
Transfers out	(165,000)	-	-	-	(165,000)
<b>Total other financing sources (uses):</b>	<u>(165,000)</u>	<u>-</u>	<u>-</u>	<u>165,000</u>	<u>-</u>
Net change in fund balance	151,181	386,362	(1,731,041)	224,542	(968,956)
Fund balance, beginning of year	755,800	3,648,147	4,513,237	595,543	9,512,727
Fund balance, end of year	<u>\$ 906,981</u>	<u>\$ 4,034,509</u>	<u>\$ 2,782,196</u>	<u>\$ 820,085</u>	<u>\$ 8,543,771</u>

See accompanying notes to the basic financial statements.



**BATAVIA LOCAL SCHOOL DISTRICT**  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
 Year Ended June 30, 2017

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	(968,956)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions		2,334,933
Depreciation expense		(889,708)
Principal paid on bonds payable is recorded as an expenditure on the fund financial statements and recorded as a reduction of the long-term liabilities in the government-wide financial statements. Premium amortization is not recorded on the fund financial statements, but is recorded as a reduction of the long-term liabilities in the government-wide financial statements.		
		891,473
Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		67,528
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		2,839
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(108,096)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the funds.		
		(608,408)
Accretion of capital appreciation bonds do not require use of current financial resources are not reported in the governmental funds		
		(15,676)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,813,748
Except for amounts reported as deferred outflows or inflows of resources, changes in net pension liability are reported as pension expense in the statement of activities.		
		<u>(2,857,241)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(337,564)</u></u>

See accompanying notes to the basic financial statements.

## BATAVIA LOCAL SCHOOL DISTRICT

### Statement of Net Position

#### Proprietary Funds

June 30, 2017

	<u>Food Service</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>Assets:</b>			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 68,738	\$ 13,803	\$ 82,541
Supplies inventory	<u>19,945</u>	<u>-</u>	<u>19,945</u>
Total current assets	<u>88,683</u>	<u>13,803</u>	<u>102,486</u>
Noncurrent assets:			
Depreciable capital assets, net	<u>26,322</u>	<u>-</u>	<u>26,322</u>
<b>Total assets</b>	<u>115,005</u>	<u>13,803</u>	<u>128,808</u>
<b>Deferred Outflows of Resources:</b>			
Pensions	<u>172,623</u>	<u>-</u>	<u>172,623</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	4,838	1,946	6,784
Accrued wages and benefits payable	38,000	-	38,000
Intergovernmental payable	8,707	-	8,707
Compensated absences	<u>2,821</u>	<u>-</u>	<u>2,821</u>
Total current liabilities	<u>54,366</u>	<u>1,946</u>	<u>56,312</u>
Noncurrent liabilities:			
Compensated absences	10,786	-	10,786
Net pension liability	<u>655,394</u>	<u>-</u>	<u>655,394</u>
<b>Total liabilities</b>	<u>720,546</u>	<u>1,946</u>	<u>722,492</u>
<b>Deferred Inflows of Resources:</b>			
Pensions	<u>17,401</u>	<u>-</u>	<u>17,401</u>
<b>Net Position:</b>			
Investment in capital assets	26,322	-	26,322
Unrestricted (deficit)	<u>(476,641)</u>	<u>11,857</u>	<u>(464,784)</u>
<b>Total net position</b>	<u>\$ (450,319)</u>	<u>\$ 11,857</u>	<u>\$ (438,462)</u>

See accompanying notes to the basic financial statements.

## BATAVIA LOCAL SCHOOL DISTRICT

### Statement of Revenues, Expenses and Changes in Fund Net Position

#### Proprietary Funds

Year Ended June 30, 2017

	<u>Food Service</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b>Operating revenues:</b>			
Charges for services	<u>\$ 231,231</u>	<u>\$ 91,833</u>	<u>\$ 323,064</u>
<b>Operating expenses:</b>			
Salaries and wages	240,980	-	240,980
Fringe benefits	185,564	-	185,564
Contractual services	482,299	-	482,299
Materials and supplies	83,579	99,229	182,808
Depreciation	<u>3,254</u>	<u>-</u>	<u>3,254</u>
<b>Total operating expenses</b>	<u>995,676</u>	<u>99,229</u>	<u>1,094,905</u>
Operating loss	(764,445)	(7,396)	(771,841)
<b>Nonoperating revenues:</b>			
Federal and state grants	<u>677,934</u>	<u>-</u>	<u>677,934</u>
Change in net position	(86,511)	(7,396)	(93,907)
Net position, beginning of year	<u>(363,808)</u>	<u>19,253</u>	<u>(344,555)</u>
Net position, end of year	<u>\$ (450,319)</u>	<u>\$ 11,857</u>	<u>\$ (438,462)</u>

See accompanying notes to the basic financial statements.

## BATAVIA LOCAL SCHOOL DISTRICT

### Statement of Cash Flows

#### Proprietary Funds

Year Ended June 30, 2017

	Food Service	Nonmajor Enterprise Funds	Total Enterprise Funds
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 233,310	\$ 91,833	\$ 325,143
Cash payments for personal services	(396,413)	-	(396,413)
Cash payments for contract services	(482,299)	-	(482,299)
Cash payments for supplies and materials	(9,678)	(99,261)	(108,939)
Cash payments for other expenses	(29,826)	-	(29,826)
Net cash from operating activities	<u>(684,906)</u>	<u>(7,428)</u>	<u>(692,334)</u>
<b>Cash flows from noncapital financing activities:</b>			
Cash received from federal and state grants	<u>614,581</u>	<u>-</u>	<u>614,581</u>
Change in cash and cash equivalents	(70,325)	(7,428)	(77,753)
Cash and cash equivalents at beginning of year	<u>139,063</u>	<u>21,231</u>	<u>160,294</u>
Cash and cash equivalents at end of year	<u>\$ 68,738</u>	<u>\$ 13,803</u>	<u>\$ 82,541</u>
Reconciliation of operating loss to net cash from operating activities:			
Operating loss	\$ (764,445)	\$ (7,396)	\$ (771,841)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	3,254	-	3,254
Donated commodities used	63,353	-	63,353
Changes in assets, liabilities and deferrals:			
Accounts receivable	2,079	-	2,079
Accounts payable	(16,622)	(32)	(16,654)
Supplies inventory	(2,656)	-	(2,656)
Accrued wages and benefits payable	(5,296)	-	(5,296)
Intergovernmental payable	4,147	-	4,147
Compensated absences payable	5,811	-	5,811
Deferred outflows - pensions	(108,841)	-	(108,841)
Deferred inflows - pensions	(35,626)	-	(35,626)
Net pension liability	<u>169,936</u>	<u>-</u>	<u>169,936</u>
Net cash from operating activities	<u>\$ (684,906)</u>	<u>\$ (7,428)</u>	<u>\$ (692,334)</u>

See accompanying notes to the basic financial statements.

# BATAVIA LOCAL SCHOOL DISTRICT

## Statement of Net Position

### Fiduciary Funds

June 30, 2017

	Private Purpose Trust	Agency Funds
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Equity in pooled cash and cash equivalents	\$ <u>13,529</u>	<u>65,757</u>
Total assets	<u>13,529</u>	<u>65,757</u>
<b>LIABILITIES</b>		
Due to student groups	<u>-</u>	<u>65,757</u>
Total liabilities	<u>-</u>	<u>65,757</u>
<b>NET POSITION</b>		
Held in trust	\$ <u>13,529</u>	

See accompanying notes to the basic financial statements.

**BATAVIA LOCAL SCHOOL DISTRICT**

Statement of Changes in Net Position

Fiduciary Funds

Year Ended June 30, 2017

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Contributions	\$ <u>6,000</u>
<b>Deductions:</b>	
Community gifts, awards and scholarships	<u>5,000</u>
Total deductions	<u>5,000</u>
 Change in net position	 1,000
 Net position, beginning of year	 <u>12,529</u>
Net position, end of year	\$ <u><u>13,529</u></u>

See accompanying notes to the basic financial statements.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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 operates under a locally elected Board of Education (five members) and is responsible for the education of the residents of the School District. The Board controls the School District's four instructional support facilities providing education to approximately 2,200 students.

The reporting entity is comprised of the primary government, which consists of all funds, departments, boards, and agencies that are not legally separate from the School District. This includes general operations, food service, and student related activities of the School District.

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

The School District is associated with four organizations, two of which are defined as jointly governed organizations and two are insurance purchasing pools. These organizations include Hamilton Clermont Cooperative Information Technology Center, the Great Oaks Institute of Technology and Career Development, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Clermont County Health Trust. These organizations are presented in Notes 12 and 13 to the basic financial statements.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Basis of Presentation**

***Government-wide Financial Statements*** The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus, which differs from the manner in which the governmental fund financial statements are prepared. Therefore, the governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

***Fund Financial Statements*** Fund financial statements report detailed information about the School District. The focus of governmental and proprietary financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, liabilities, and deferred inflows of resources are generally included on the balance sheet. Operating statements of these funds present sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Operating revenues and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.



**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Fund Accounting**

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are grouped into the categories governmental, proprietary, and fiduciary.

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

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

*Debt Service Fund* – The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

*Classroom Facilities Project Fund* – This fund is used to account for the school improvement activities under the Ohio Facilities Construction Commission program.

*Proprietary funds* are used to account for the School District's ongoing activities that are similar to those found in the private sector where the intent of the governing body is that the cost of providing goods and services to the general public be financed or recovered primarily through user charges. The following is the School District's major proprietary fund:

*Food Service Fund* – The food service fund is used to account for the School District's food service operations funded by cafeteria receipts and state and federal grants.

*Fiduciary Funds* report on net position and changes in net position. The School District's fiduciary funds consist of a private-purpose trust fund and agency funds. The School District's only private-purpose trust fund accounts for scholarship programs for students. These assets are not available for the School District's use. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations and are used to account for student activities.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made. The modified accrual basis of accounting is used by the governmental funds.

On a modified accrual basis, revenues are recorded when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, tuition, student fees, and grants. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable except for unmatured principal and interest on general long-term debt as well as expenditures related to compensated absences which are recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

Government-wide financial statements are prepared using the accrual basis of accounting. Also, proprietary funds and fiduciary funds utilize accrual accounting. Revenues are recognized when earned and expenses are recognized when incurred.

***Revenues - Exchange and Non-exchange transactions.*** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

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

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Deferred Inflows of Resources.* In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, payments in lieu of taxes, unavailable revenue and pensions. Receivables for property taxes and payment in lieu of taxes represent amounts that are measurable as of June 30, 2017, but are intended to finance fiscal year 2018 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements and represent receivables that will not be collected within the available period. Deferred inflows of resources are reported on the government-wide statement of net position for pensions (see Note 7).

*Deferred Outflows of Resources.* In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pensions (see Note 7).

**E. Budgetary Process**

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

*Tax Budget.* Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the Clermont County Budget Commission for rate determination.

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

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Appropriations* Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolutions, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the level of control.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions. The Board passed supplemental appropriations during the fiscal year.

*Encumbrances* As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to assign that portion of the applicable appropriation and to determine and maintain legal compliance.

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

**F. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled in central bank accounts. Monies for all funds are maintained in these accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to agency funds, certain trust funds, and those funds individually authorized by Board resolution. Interest is allocated to these funds based on average monthly cash balance.

For purposes of the statement of cash flows, the proprietary funds' portion of equity in pooled cash and cash equivalents is considered to be liquid because the proprietary fund portion of the pool can be accessed without prior notice or penalty.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**G. Inventory**

Inventories of proprietary funds are stated at the cost and donated food is stated at entitlement value. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

**H. Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type columns in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their acquisition values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements and the proprietary fund statements. Capital assets are reported as expenditures of the current period in the governmental fund financial statements.

All reported capital assets except land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	15 years
Buildings and improvements	20-50 years
Equipment and furniture	3-20 years
Vehicles	10 years

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, a liability is recorded only for the portion of unpaid compensated absences that has matured, for example, as a result of employee resignations and retirements.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources with the exception of compensated absences as noted above.

**K. Pensions**

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

**L. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. Restricted assets in the classroom facilities project fund represents bond proceeds and State funding restricted for the planned construction of a new elementary school.

**M. 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 a spendable form, or legally or contractually required to be maintained intact. The “not in a spendable form” criterion includes items that are not expected to be converted to cash.

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

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

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*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 School District Board of Education. The Treasurer has been given authority to assign amounts for these purchases on order provided those amounts have been lawfully appropriated.

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

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

**N. Net Position**

Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School District had no net position restricted by enabling legislation at year-end. The amounts restricted for other purposes consisted of scholarships and education foundation.

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

**O. Estimates**

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

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

---

**2. DEPOSITS AND INVESTMENTS**

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

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

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

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

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

Interim monies are permitted to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.



**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

**2. DEPOSITS AND INVESTMENTS (continued)**

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and amended by GASB Statement No. 40 "Deposit and Investment Risk Disclosures":

Deposits

***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a custodial credit risk policy. However, protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the financial institution holding the deposits. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific financial institution. At year-end, the School District's bank balance of \$9,208,712 was either covered by FDIC or collateralized in the manner described above.

**3. PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2017 represent collections of calendar year 2016 taxes. Public utility real and tangible personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016 and are collected in calendar year 2017 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from the Clermont County Auditor, who periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017 are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes, which became measurable as of June 30, 2017. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2017 was \$1,782,304 in the General Fund, \$364,572 in the Debt Service Fund and \$16,292 in the Other Governmental Funds.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

**3. PROPERTY TAXES (continued)**

The assessed values upon which fiscal year 2017 taxes were collected are:

	<u>2016 Second-Half Collections</u>		<u>2017 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 201,282,040	93.85%	203,640,920	92.75%
Public Utility	<u>13,195,100</u>	6.15%	<u>15,906,600</u>	7.25%
Total Assessed Value	\$ <u><u>214,477,140</u></u>	100.00%	<u><u>219,547,520</u></u>	100.00%
Tax rate per \$1,000 of assessed valuation		\$59.61		\$59.61

**4. INTERFUND TRANSACTIONS**

Interfund transactions at June 30, 2017 consisted of the following:

	<u>Interfund</u>		<u>Transfers</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General Fund	\$ 21,950	\$ -	\$ -	\$ 165,000
Other Governmental Funds	<u>-</u>	<u>21,950</u>	<u>165,000</u>	<u>-</u>
	<u><u>\$ 21,950</u></u>	<u><u>\$ 21,950</u></u>	<u><u>\$ 165,000</u></u>	<u><u>\$ 165,000</u></u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All transfers made in fiscal year 2017 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

Interfund receivables and payables are eliminated on the government-wide financial statements.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

**5. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2017 was as follows:

	Balance 7/1/16	Additions	Disposals	Balance 6/30/17
<b><i>Governmental Activities</i></b>				
<b>Nondepreciable:</b>				
Land	\$ 1,230,447	\$ -	\$ -	\$ 1,230,447
Construction in progress	20,098,021	2,172,433	(20,098,021)	2,172,433
Subtotal	<u>21,328,468</u>	<u>2,172,433</u>	<u>(20,098,021)</u>	<u>3,402,880</u>
<b>Depreciable:</b>				
Land improvements	2,936,525	-	-	2,936,525
Buildings and improvements	14,089,656	20,098,021	-	34,187,677
Equipment and furniture	1,380,776	-	-	1,380,776
Vehicles	3,402,223	162,500	-	3,564,723
Subtotal	<u>21,809,180</u>	<u>20,260,521</u>	<u>-</u>	<u>42,069,701</u>
Totals at historical cost	<u>43,137,648</u>	<u>22,432,954</u>	<u>(20,098,021)</u>	<u>45,472,581</u>
Less accumulated depreciation:				
Land improvements	2,860,276	62,475	-	2,922,751
Buildings and improvements	9,534,597	726,947	-	10,261,544
Equipment and furniture	1,299,560	74,888	-	1,374,448
Vehicles	<u>3,203,075</u>	<u>25,398</u>	<u>-</u>	<u>3,228,473</u>
Total accumulated depreciation	<u>16,897,508</u>	<u>889,708</u>	<u>-</u>	<u>17,787,216</u>
Capital assets, net	<u>\$ 26,240,140</u>	<u>\$ 21,543,246</u>	<u>\$ (20,098,021)</u>	<u>\$ 27,685,365</u>

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

**5. CAPITAL ASSETS (continued)**

Depreciation expense was charged to functions as follows:

Instruction:		
Regular	\$	775,533
Support services:		
Instructional staff		843
Operation and maintenance of plant		43,955
Pupil transportation		25,398
Extracurricular activities		<u>43,979</u>
Total depreciation expense	\$	<u>889,708</u>

	Balance 7/1/16	Additions	Disposals	Balance 6/30/17
<b>Business-type Activities:</b>				
<b>Nondepreciable:</b>				
Construction in progress	\$ 21,460	\$ -	\$ (21,460)	\$ -
<b>Depreciable:</b>				
Equipment and furniture	179,764	21,460	-	201,224
Less accumulated depreciation	<u>(171,648)</u>	<u>(3,254)</u>	<u>-</u>	<u>(174,902)</u>
Capital assets, net	<u>\$ 29,576</u>	<u>\$ 18,206</u>	<u>\$ (21,460)</u>	<u>\$ 26,322</u>

Depreciation expense of \$3,254 was charged to the food services segment.

**6. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the School District contracted with commercial carriers for property and fleet insurance, liability insurance and inland marine coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage in the last year.

For fiscal year 2017, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). 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".

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

This "equity pooling" arrangement insures 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 CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

**6. RISK MANAGEMENT (continued)**

For fiscal year 2017, the School District participated in the Clermont County Health Trust (the Trust), a group insurance purchasing pool (Note 13), in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Trustee provides insurance policies in whole or in part through one or more group insurance policies.

**7. PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. 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 manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

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

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for contractually-required contributions outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

**7. PENSION PLANS (continued)**

***Plan Description - School Employees Retirement System (SERS)***

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

Age and service requirements for retirement are as follows:

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

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

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

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

***Funding Policy*** – Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017 the allocation to pension, death benefits, and Medicare B was 14%.

The School District’s contractually required contribution to SERS was \$514,979 for fiscal year 2017. Of this amount, \$70,229 is reported as an intergovernmental payable.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

---

**7. PENSION PLANS (continued)**

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

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

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

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with 5 years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

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

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

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

**7. PENSION PLANS (continued)**

**Funding Policy** – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased 1% July 1, 2014, and was increased 1% each year until it reached 14% on July 1, 2016. For the fiscal year ended June 30, 2017, 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 School District’s contractually required contribution to STRS was approximately \$1,359,521 for fiscal year 2017. Of this amount, \$221,108 is reported as an intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources for Pensions***

The net pension liability was measured as of June 30, 2016, 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 and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$5,461,617	\$25,512,880	\$30,974,497
Proportion of the Net Pension Liability	0.07462%	0.07622%	
Change in Proportion	0.00372%	0.00109%	
Pension Expense	\$738,136	\$2,205,326	\$2,943,462

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 73,665	\$ 1,030,843	\$ 1,104,508
Net difference between projected and actual earnings on pension plan investments	450,504	2,118,255	2,568,759
Change in assumptions	364,592	-	364,592
Change in School District's proportionate share and difference in employer contributions	34,788	362,080	396,868
School District's contributions subsequent to the measurement date	<u>514,979</u>	<u>1,359,521</u>	<u>1,874,500</u>
Total Deferred Outflows of Resources	<u>\$ 1,438,528</u>	<u>\$ 4,870,699</u>	<u>\$ 6,309,227</u>



**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

**7. PENSION PLANS (continued)**

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
<b>Deferred Inflows of Resources</b>			
Change in School District's proportionate share and difference in employer contributions	\$ 145,005	\$ -	\$ 145,005

\$1,874,500 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$ 167,112	\$ 605,476	\$ 772,588
2019	166,787	605,476	772,263
2020	315,144	1,418,310	1,733,454
2021	129,501	881,916	1,011,417
	<u>\$ 778,544</u>	<u>\$ 3,511,178</u>	<u>\$ 4,289,722</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 take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%
COLA or Ad Hoc COLA	3.00%
Investment Rate of Return	7.50% net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

**7. PENSION PLANS** (continued)

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

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

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

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

**Discount Rate** – Total pension liability was calculated using the discount rate of 7.50%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50%). 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.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

**7. PENSION PLANS (continued)**

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$7,230,841	\$5,461,617	\$3,980,704

*Changes in Assumptions* – The following changes in actuarial assumptions was made during the June 30, 2016 actuarial valuation period:

- Discount rate was reduced from 7.75% to 7.50%
- Assumed rate of inflation was reduced from 3.25% to 3.00%
- Payroll growth assumption was reduced from 4.00% to 3.50%
- Assumed real wage growth was reduced from 0.75% to 0.50%
- Rates of withdrawal, retirement and disability were updated to reflect recent experience
- Mortality among active members was updated to the following:
  - RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females
- Mortality among service retired members and beneficiaries was updated to the following:
  - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates
- Mortality among disabled members was updated to the following:
  - RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, and a five-year set-back for the period after disability retirement.

**Actuarial Assumptions - STRS**

The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases	2.75% at age 70 to 12.25% at age 20
Investment Rate of Return	7.75% net of investment expenses
COLA	2% simple applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1, 2013 or later, 2% COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

**7. PENSION PLANS (continued)**

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

\* 10-year annualized geometric nominal returns, which including the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$33,904,545	\$25,512,880	\$18,434,017

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

---

**7. PENSION PLANS (continued)**

*Changes Between Measurement Date and Report Date* – In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75% to 7.45%. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to School District's net pension liability is expected to be significant.

**Social Security System**

All employees not otherwise covered by SERS or STRS have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. Members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**8. POSTEMPLOYMENT BENEFITS**

*School Employees Retirement System*

*Health Care Plan* – Sections 3309.375 and 3309.69 of the Ohio Revised Code permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The Ohio Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plan.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder for the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2017, the health care allocation is 0.00%. 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. By statute, no employer shall pay a health care surcharge greater than 2.0% 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 health care surcharge. For fiscal year 2017, this amount was \$23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For fiscal year 2017, the School District's surcharge obligation was \$70,229.

None of the 14% employer contribution was allocated to the Health Care Fund for the fiscal years 2017 or 2016. The School District's contribution for health care (including health care surcharge) for the fiscal years June 30, 2017, 2016, and 2015 were \$70,229, \$37,374, and \$64,381, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

**8. POSTEMPLOYMENT BENEFITS (continued)**

*State Teachers Retirement System*

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

*Funding Policy* – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. STRS did not allocate a portion of the employer contributions to post-employment health care in the last three fiscal years.

**9. EMPLOYEE BENEFITS**

**Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. All employees earn sick leave at the rate of 1.25 days per month. Sick leave may be accumulated up to maximum of 268 days for teachers, 245 days for classified staff and unlimited days for administrators. Upon retirement, payment is made for 25% of the employee’s accumulated sick leave up to a maximum of 67 days for teachers and administrators, and 61.25 days for classified employees.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

**10. LONG-TERM OBLIGATIONS**

During the fiscal year 2017, the following changes occurred in long-term obligations.

	Principal Outstanding 7/1/16	Additions	Reductions	Principal Outstanding 6/30/17	Amounts Due in One Year
<b><i>Governmental Activities:</i></b>					
General obligation bonds	\$ 17,007,448	\$ -	\$ (885,000)	\$ 16,122,448	\$ 925,000
Accreted interest on bonds	42,441	15,676	-	58,117	-
Unamortized premiums	161,820	-	(6,473)	155,347	-
Capital leases	85,112	-	(67,528)	17,584	17,584
Compensated absences	1,026,324	166,003	(57,907)	1,134,420	71,986
Net pension liability:					
STRS	20,763,395	4,749,485	-	25,512,880	-
SERS	3,560,022	1,246,201	-	4,806,223	-
Total Governmental Activities	<u>\$ 42,646,562</u>	<u>\$ 6,177,365</u>	<u>\$ (1,016,908)</u>	<u>\$ 47,807,019</u>	<u>\$ 1,014,570</u>
<b><i>Business-type Activities:</i></b>					
Compensated absences	\$ 7,796	\$ 8,964	\$ (3,153)	\$ 13,607	\$ 2,821
Net pension liability:					
SERS	485,458	169,936	-	655,394	-
Total Business-Type Activities	<u>\$ 493,254</u>	<u>\$ 178,900</u>	<u>\$ (3,153)</u>	<u>\$ 669,001</u>	<u>\$ 2,821</u>

*Batavia Junior High School Addition General Obligation Bonds* – In 1998, the School District issued \$9,150,000 in voted general obligation bonds for the purpose of an addition and improvements to the junior high school building. The bonds were issued for a 25-year period paying 3.5%-13.9% interest with final maturity at December 1, 2022 and will be retired from the Debt Service Fund.

*HB 264, Series 2011 School Improvement Bonds* – In August 2011, the School District issued \$520,000 in HB 264, Series 2011 School Improvement Bonds, composed of two series, one due on December 1, 2018 and the other due on December 1, 2025, paying with interest rates between 2.75% and 4.00%, respectively, to finance energy conservation projects and will be retired from the General Fund.

*Series 2013 Classroom Facilities School Improvement Bonds* – In April 2013, the School District issued \$9,822,448 in unlimited tax general obligation bonds, comprised of serial, term and capital appreciation bonds, to finance the construction of a new elementary school building. These bonds have a final maturity of December 1, 2040, bear interest rates ranging from 1.50% to 7.17%, and will be retired from the Debt Service Fund.

*Series 2013B Classroom Facilities School Improvement Bonds* – In May 2013, the School District issued \$3,820,000 in general obligation bonds, comprised of serial and term bonds, to refinance bond anticipation notes issued in December 2012, to finance the construction of the new elementary school building. These bonds have a final maturity of December 1, 2040, bear interest rates ranging from 1.375% to 4.0%, and will be retired from the Debt Service Fund.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

**10. LONG-TERM OBLIGATIONS (continued)**

*Capital Leases* – During a prior fiscal year, the School District entered into capital lease agreements for phone and copier equipment in the amount of \$300,820. These leases meet the criteria of a capital lease as defined by generally accepted accounting principles, which define a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments were reflected as debt service expenditures in the General Fund.

All general obligation debt is supported by the full faith and credit of the School District. Compensated absences will be paid from the fund from which the employees' salaries are paid, generally the General and Food Service funds.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2017 are as follows:

Fiscal Year Ending June 30,		Principal	Interest	Total
2018	\$	925,000	580,669	1,505,669
2019		955,000	544,850	1,499,850
2020		985,000	567,725	1,552,725
2021		907,448	529,107	1,436,555
2022		1,070,000	426,325	1,496,325
2023-2027		2,995,000	1,695,115	4,690,115
2028-2032		2,500,000	1,327,350	3,827,350
2033-2037		2,975,000	830,656	3,805,656
2038-2041		2,810,000	225,640	3,035,640
Total	\$	<u>16,122,448</u>	<u>6,727,437</u>	<u>22,849,885</u>

The following is a schedule of future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2017:

Fiscal Year Ending June 30,		Capital Leases
2018	\$	<u>19,278</u>
Total		19,278
Less amount representing interest		<u>(1,694)</u>
Present value of minimum lease payments	\$	<u>17,584</u>



**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

**11. FUND BALANCES**

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

<u>Governmental Fund Balances</u>	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><i>Restricted for</i></b>					
Set-asides	\$ 78,607	-	-	-	78,607
Classroom Facilities	-	-	2,782,196	540,678	3,322,874
Scholarships	-	-	-	157,618	157,618
Athletics	-	-	-	51,731	51,731
Miscellaneous State Grants	-	-	-	37,370	37,370
Limited English Proficiency	-	-	-	2,919	2,919
Improving Teacher Quality	-	-	-	118,794	118,794
Debt Service Payments	-	4,034,509	-	-	4,034,509
<b><i>Total Restricted</i></b>	<u>78,607</u>	<u>4,034,509</u>	<u>2,782,196</u>	<u>909,110</u>	<u>7,804,422</u>
<b><i>Assigned to</i></b>					
Capital Improvements	-	-	-	2,994	2,994
Encumbrances	260,123	-	-	-	260,123
Public School Support	87,728	-	-	-	87,728
<b><i>Total Assigned</i></b>	<u>347,851</u>	<u>-</u>	<u>-</u>	<u>2,994</u>	<u>350,845</u>
<b><i>Unassigned (Deficit)</i></b>	<u>480,523</u>	<u>-</u>	<u>-</u>	<u>(92,019)</u>	<u>388,504</u>
<b><i>Total</i></b>	<u>\$ 906,981</u>	<u>4,034,509</u>	<u>2,782,196</u>	<u>820,085</u>	<u>8,543,771</u>

**12. JOINTLY GOVERNED ORGANIZATIONS**

*The Hamilton Clermont Cooperative Information Technology Center*

The School District is a participant in a two-county consortium of school districts that operate the Hamilton/Clermont Cooperative Information Technology Center (HCC). HCC is an association of public districts in a geographic area determined by the Ohio Department of Education. 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 Board of HCC consists of one representative from each of the participating members. Complete financial statements for HCC can be obtained from their administrative offices at 7615 Harrison Avenue, Mount Healthy 45231.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

---

**12. JOINTLY GOVERNED ORGANIZATIONS (continued)**

*The Great Oaks Institute of Technology and Career Development*

The Great Oaks Institute of Technology and Career Development, a jointly governed organization, is a distinct political subdivision of the State of Ohio operated under the direction of a Board, consisting of one representative from each of the participating school district's elected board. The Board possesses its own budgeting and taxing authority as a separate body politic and corporate, established by the Ohio Revised Code. Great Oaks was formed for the purpose of providing vocational education opportunities to the students of the member school districts, which includes the students of the School District. The School District has no ongoing financial interest in nor responsibility for Great Oaks. To obtain financial information, write to Great Oaks at 3254 East Kemper Road, Cincinnati, Ohio 45241.

**13. INSURANCE PURCHASING POOLS**

*Ohio Association of School Business Officials Workers' Compensation Group Rating Plan*

The School District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OASBO. The Executive Director of the OASBO, or his designee, serves as 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.

*The Clermont County Health Trust*

The Clermont County Health Trust (the Trust), an insurance purchasing pool, is a health trust formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents and designated beneficiaries of such employees. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. The School District pays premiums to a third party administrator which in turns buys the insurance policies from various insurance companies. Upon termination, the School District shall be responsible for prompt payment of all plan liabilities accruing as a result of such termination and maintain no right to any assets of the Trust. The School District may terminate participation in the Trust for the benefit of its employees upon written notice to the Trustee delivered at least sixty days prior to the annual review date of the policy. Financial information can be obtained from the Clermont County Health Trust at P. O. Box 526, Middletown, Ohio 45042.

**14. TAX ABATEMENTS**

Pursuant to GASB Statement No. 77, *Tax Abatement Disclosures*, the School District is required to disclose certain information on its use of tax abatement incentives. A tax abatement incentive, under this Statement, is an agreement between the local government and an individual or entity in which the local government promises to forgo tax revenue, while the individual or entity promises to take a specific action after the agreement has been entered into that contributes to the economic development or otherwise benefits the local government or the citizens of the local government.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

**14. TAX ABATEMENTS (continued)**

The School District property tax revenues were reduced by \$442,536 under Enterprise Zone agreements entered into by Clermont County. The Enterprise Zone Program is an economic development tool administered by the County pursuant to Ohio Revised Code Section 5709 to provide real and personal property tax exemptions to businesses making investments within an enterprise zone. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone Program can provide tax exemptions, up to 100%, for a portion of the value of new real and personal property investment (when that personal property is still taxable) when the investment is made in conjunction with a project that includes job creation. Existing land values and existing building values are generally not eligible.

**15. CONTINGENCIES**

**Grant Funding**

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 effects of any such disallowed claims on the overall financial position of the School District at June 30, 2017, if applicable, cannot be determined at this time.

**School Foundation**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, additional ODE adjustments for fiscal year 2017 are not finalized. As a result, the impact of future FTE adjustments on the fiscal year 2017 financial statements is not determinable, at this time. Management believes this may result in either an additional receivable to, or a liability of, the School District.

**Litigation**

The School District is party to legal proceedings and is of the opinion that the ultimate disposition of claims will not have a material effect, if any, on the financial condition of the School District.

**16. REQUIRED SET-ASIDES**

The School District is required by State Statute to annually set aside in the general fund an amount based on the statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. Although no longer required by state statute, a budget stabilization reserve may still be set aside at the discretion of the School District.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

**16. REQUIRED SET-ASIDES (continued)**

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

		<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside reserve balance as of June 30, 2016	\$	-	78,607
Current year set-aside requirement		395,584	-
Current year qualifying expenditures		(744,362)	-
Current year offsets		<u>(139,071)</u>	<u>-</u>
Total		<u>(487,849)</u>	<u>78,607</u>
Set-aside reserve balance as of June 30, 2017	\$	<u>-</u>	<u>78,607</u>

The School District has qualifying disbursements during the fiscal year that reduced the set aside amount for capital improvements to below zero. The excess qualified expenditures do not carry forward to future periods.

**17. ACCOUNTABILITY AND COMPLIANCE**

**Accountability**

At June 30, 2017, the following funds had a deficit fund balance:

Other Governmental Funds:		
Vocational Education Fund	\$	490
Title I Fund		83,511
Early Childhood - IDEA-B Fund		8,018

The deficit fund balances were created by the application of generally accepted accounting principles. Transfers are made to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**Compliance**

The School District had noncompliance with Ohio Revised Code Sections 5705.36 and 5705.39 for appropriations in excess of estimated resources and noncompliance with Ohio Revised Code Section 5705.38 and 5705.40 for not properly submitting or certifying, permanent or amended, appropriations with the County Budget Commission.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2017**

---

---

**18. COMMITMENTS**

**Encumbrances**

The School District utilizes encumbrance accounting to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. The School District's outstanding encumbrance amounts at June 30, 2017 were:

General Fund	\$ 336,990
Classroom Facilities Project Fund	1,749,264
Other Governmental Funds	<u>46,362</u>
	<u>\$ 2,132,616</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**BATAVIA LOCAL SCHOOL DISTRICT**

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund

Balance - Budget and Actual (Non-GAAP Budgetary Basis)

General Fund

Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues:</b>				
Taxes	\$ 4,759,991	\$ 4,870,902	\$ 4,911,040	\$ 40,138
Payments in lieu of taxes	2,654,588	2,716,442	2,738,826	22,384
Tuition and fees	1,232,799	1,261,525	1,271,920	10,395
Interest	8,936	9,145	9,220	75
Intergovernmental	12,225,512	12,510,376	12,613,466	103,090
Other local revenues	1,037,405	1,061,577	1,070,325	8,748
<b>Total revenues</b>	<u>21,919,231</u>	<u>22,429,967</u>	<u>22,614,797</u>	<u>184,830</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	11,407,548	11,718,959	10,710,525	1,008,434
Special education	4,220,706	4,331,831	4,879,801	(547,970)
Other instruction	14,513	14,912	14,912	-
Support services:				
Pupil	351,547	361,197	367,032	(5,835)
Instructional staff	142,208	145,903	139,703	6,200
Board of Education	263,300	270,485	288,057	(17,572)
Administration	1,349,401	1,386,452	1,480,292	(93,840)
Fiscal	624,642	641,463	650,342	(8,879)
Operation and maintenance of plant	1,280,509	1,313,833	1,663,327	(349,494)
Pupil transportation	1,495,381	1,536,036	1,542,300	(6,264)
Central	127,202	130,696	133,698	(3,002)
Non-instructional services:				
Extracurricular activities	225,360	231,550	246,748	(15,198)
Debt service	48,831	48,831	42,938	5,893
<b>Total expenditures</b>	<u>21,551,148</u>	<u>22,132,148</u>	<u>22,159,675</u>	<u>(27,527)</u>
Excess of revenues over expenditures	368,083	297,819	455,122	157,303
<b>Other financing uses:</b>				
Transfers out	(716,973)	(716,973)	(165,000)	551,973
Net change in fund balance	(348,890)	(419,154)	290,122	<u>\$ 709,276</u>
Fund balance (deficit), beginning of year	(218,327)	(218,327)	(218,327)	
Prior year encumbrances appropriated	349,121	349,121	349,121	
Fund balance (deficit), end of year	<u>\$ (218,096)</u>	<u>\$ (288,360)</u>	<u>\$ 420,916</u>	

See accompanying notes to required supplementary information.

## BATAVIA LOCAL SCHOOL DISTRICT

Required Supplementary Information

Schedule of School District's Proportionate Share of the Net Pension Liability

School Employees Retirement System of Ohio

Last Four Fiscal Years (1) (2)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.07462%	0.07090%	0.07645%	0.07645%
School District's Proportionate Share of the Net Pension Liability	\$ 5,461,617	\$ 4,045,480	\$ 3,869,243	\$ 4,546,415
School District's Covered Payroll	\$ 3,469,664	\$ 3,583,141	\$ 2,244,019	\$ 2,271,893
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	157.41%	112.90%	172.42%	200.12%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year-end.

See accompanying notes to required supplementary information.



## BATAVIA LOCAL SCHOOL DISTRICT

Required Supplementary Information

Schedule of School District's Proportionate Share of the Net Pension Liability

State Teachers Retirement System of Ohio

Last Four Fiscal Years (1) (2)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.07622%	0.07513%	0.07378%	0.07378%
School District's Proportionate Share of the Net Pension Liability	\$ 25,512,880	\$ 20,763,395	\$ 17,946,747	\$ 21,378,048
School District's Covered Payroll	\$ 8,635,571	\$ 7,786,950	\$ 8,118,554	\$ 8,281,815
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	295.44%	266.64%	221.06%	258.13%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	66.78%	72.09%	74.70%	69.30%

- (1) Information prior to 2014 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.
- (2) Amounts presented for each fiscal year were determined as of the School District's measurement date, which is the prior fiscal year-end.

**BATAVIA LOCAL SCHOOL DISTRICT**

Required Supplementary Information  
Schedule of School District Contributions  
School Employees Retirement System of Ohio  
Last Five Fiscal Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 514,979	\$ 485,753	\$ 472,258	\$ 311,021	\$ 314,430
Contributions in Relation to the Contractually Required Contributions	<u>(514,979)</u>	<u>(485,753)</u>	<u>(472,258)</u>	<u>(311,021)</u>	<u>(314,430)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 3,678,421	\$ 3,469,664	\$ 3,583,141	\$ 2,244,019	\$ 2,271,893
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%	13.84%

(1) Information prior to 2013 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

**BATAVIA LOCAL SCHOOL DISTRICT**

Required Supplementary Information  
Schedule of School District Contributions  
State Teachers Retirement System of Ohio  
Last Five Fiscal Years (1)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 1,359,521	\$ 1,208,980	\$ 1,090,173	\$ 1,055,412	\$ 1,076,636
Contributions in Relation to the Contractually Required Contributions	<u>(1,359,521)</u>	<u>(1,208,980)</u>	<u>(1,090,173)</u>	<u>(1,055,412)</u>	<u>(1,076,636)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 9,710,864	\$ 8,635,571	\$ 7,786,950	\$ 8,118,554	\$ 8,281,815
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	13.00%

(1) Information prior to 2013 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

# BATAVIA LOCAL SCHOOL DISTRICT

Required Supplementary Information

Notes to Required Supplementary Information

Year Ended June 30, 2017

## Note A Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

Certain funds accounted for as separate funds internally with legally adopted budgets (budget basis) do not meet the definition of special revenue funds under GASB Statement No. 54 and were reported with the General Fund (GAAP basis).

Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

Encumbrances are treated as expenditures for all funds (budget basis) rather than as an expenditure when liquidated (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP statements and the budgetary basis schedule:

	<u>General</u>
Net change in fund balance - GAAP Basis	\$ 151,181
Increase / (decrease):	
Due to inclusion of the Public School Support Fund	(37,209)
Due to revenues	711,075
Due to expenditures	(197,935)
Due to encumbrances	<u>(336,990)</u>
Net change in fund balance - Budget Basis	<u>\$ 290,122</u>

## **BATAVIA LOCAL SCHOOL DISTRICT**

Required Supplementary Information

Notes to Required Supplementary Information - *continued*

Year Ended June 30, 2017

### **Note B SERS Change in Assumptions**

Amounts reported in June 30, 2017 reflect the following adjustments:

- Discount rate was reduced from 7.75% to 7.50%;
- Assumed rate of inflation was reduced from 3.25% to 3.00%;
- Payroll growth assumption was reduced from 4.00% to 3.50%;
- Assumed real wage growth was reduced from 0.75% to 0.50%;
- Rates of withdrawal, retirement and disability were updated to reflect recent experience;
- Mortality among active members was updated to the following:
  - RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set-back for both males and females;
- Mortality among service retired members, and beneficiaries was updated to the following:
  - RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates;
- Mortality among disabled members was updated to the following:
  - RP-2000 Disability Mortality Table, 90% for male rates and 100% for female rates, and a five-year set-back for the period after disability retirement.

## **SUPPLEMENTARY INFORMATION**

**BATAVIA LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
<b>Child Nutrition Cluster:</b>			
(C) (D) School Breakfast Program	10.553	2017	\$ 163,838
(C) (D) National School Lunch Program	10.555	2017	419,467
(D) (E) National School Lunch Program - Donations	10.555	2017	63,353
<b>Total National School Lunch Program</b>			<b>482,820</b>
<b>Total Child Nutrition Cluster</b>			<b>646,658</b>
Child Nutrition Discretionary Grants Limited Availability	10.579	2017	21,460
<b>Total U.S. Department of Agriculture</b>			<b>668,118</b>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
Title I Grants to Local Educational Agencies	84.010	2017	477,793
Title I Grants to Local Educational Agencies - Delinquent	84.010	2017	141,093
<b>Total Title I Grants to Local Educational Agencies</b>			<b>618,886</b>
<b>Special Education Cluster:</b>			
(F) Special Education Grants to States	84.027	2017	401,422
(F) Special Education Preschool Grants	84.173	2017	8,018
<b>Total Special Education Cluster</b>			<b>409,440</b>
English Language Acquisition State Grants - Title III Immigrant	84.365	2017	96
Improving Teacher Quality State Grants	84.367	2016	15,460
Improving Teacher Quality State Grants	84.367	2017	50,716
<b>Total Improving Teacher Quality State Grants</b>			<b>66,176</b>
Teacher Incentive Fund	84.374	2017	229,345
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE GREAT OAK INSTITUTE OF TECHNOLOGY &amp; CAREER DEVELOPMENT</b>			
Career and Technical Education Basic Grants to States	84.048	2016	1,668
Career and Technical Education Basic Grants to States	84.048	2017	3,600
<b>Total Career and Technical Education Basic Grants to States</b>			<b>5,268</b>
<b>Total U.S. Department of Education</b>			<b>1,329,211</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 1,997,329</b>

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

- (A) OAKS did not assign pass-through numbers for fiscal year 2017.
- (B) This schedule includes the federal award activity of the Batavia Local School District under programs of the federal government for the fiscal year ended June 30, 2017 and is prepared in accordance with the cash basis of accounting. 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 Batavia Local School District, it is not intended to and does not present the financial position or changes in net position, of the Batavia Local School District.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) The Food Donation program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (F) Included as part of "Special Education Cluster" in determining major programs.
- (G) CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has not elected to use the 10% de minimis indirect cost rate.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Required by *Government Auditing Standards***

Batavia Local School District  
Clermont County  
800 Bauer Avenue  
Batavia, Ohio 45103

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Batavia Local School District, Clermont County, Ohio, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Batavia Local School District's basic financial statements and have issued our report thereon dated December 26, 2017.

***Internal Control Over Financial Reporting***

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

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

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



Board of Education  
Batavia Local School District

***Compliance and Other Matters***

As part of reasonably assuring whether the Batavia Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-001 through 2017-004.

***Batavia Local School District's Response to Findings***

The Batavia Local School District's response to the findings identified in our audit is described in the accompanying corrective action plan. We did not audit the Batavia Local School District's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

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



Julian & Grube, Inc.  
December 26, 2017



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Batavia Local School District  
Clermont County  
800 Bauer Avenue  
Batavia, Ohio 45103

To the Board of Education:

***Report on Compliance for each Major Federal Program***

We have audited the Batavia Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the Batavia Local School District's major federal programs for the fiscal year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Batavia Local School District's major federal programs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

Board of Education  
Batavia Local School District

***Opinion on each Major Federal Program***

In our opinion, the Batavia Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2017.

***Report on Internal Control Over Compliance***

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

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

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

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



Julian & Grube, Inc.  
December 26, 2017

**BATAVIA LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2017**

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

**BATAVIA LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2017**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2017-001

Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the last certified amended certificate. Ohio Revised Code Section 5705.36 also requires the District to certify the proper unencumbered beginning balances to the County Auditor on or about the first of each fiscal year.

The District did not request timely amended certificates throughout the fiscal year upon notice of increased or decreased resources. Furthermore, the District did not certify the correct beginning unencumbered fund balances as of the beginning of the fiscal year.

The District is not properly certifying its most current estimated resources, including the correct unencumbered fund balances, to the appropriate authorities and thus causing appropriations to exceed estimated resources, for the fiscal year ended June 30, 2017.

We recommend the District review its available resources versus its appropriations throughout the fiscal year and file amended certificates when necessary. We also recommend the District review the unencumbered fund balances per its accounting system to ensure the proper estimated resources are certified. This will facilitate the District's appropriation process.

Finding Number	2017-002
----------------	----------

Ohio Revised Code Section 5705.39 requires that a subdivision's total appropriations from each fund should not exceed total estimated resources.

The District had total appropriations exceeding total estimated resources in the following funds at June 30, 2017:

	Appropriations	Estimated Resources	Excess
<u>Major Governmental Funds:</u>			
General Fund	\$ 22,500,000	\$ 22,211,640	\$ (288,360)
Classroom Facilities Project Fund	\$ 4,000,000	\$ 3,944,182	\$ (55,818)
<u>Major Enterprise Fund:</u>			
Food Service Fund	\$ 934,000	\$ 912,603	\$ (21,397)
<u>Nonmajor Governmental Funds:</u>			
Permanent Improvement Fund	\$ 280,677	\$ 258,440	\$ (22,237)

With appropriations exceeding estimated resources, the District may spend more funds than in the Treasury or in process of collection and cause fund deficits.

**BATAVIA LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2017**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)</b>	
Finding Number	2017-002 – (Continued)

We recommend the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 and continually monitor appropriations versus estimated resources records. If it is determined that estimated resources will be different than initially anticipated, the District should amend its estimate and also amend the appropriations as necessary; however, appropriations should not exceed estimated resources.

Finding Number	2017-003
----------------	----------

Ohio Revised Code Section 5705.38 requires the annual appropriation measure to be passed on or about the first day of each fiscal year. Temporary appropriations may be adopted until first day of October if the taxing authority wishes to postpone the passage of the annual appropriation measure until the county budget commission sends out the amended certificate based on year end balances.

The District could not provide evidence of any County Budget Commission approved or certified permanent appropriations for the fiscal year ended June 30, 2017. In addition, the Treasurer and the Clermont County Auditor’s Office was unable to provide assurance that the permanent appropriations were properly filed with the County Budget Commission.

The lack of evidence of certified appropriations from the County Budget Commission may hinder the District’s ability to effectively budget and monitor disbursements related to the budget.

We recommend that District adopt procedures for submitting their appropriations to the county auditor to be certified against their Certificate of Estimated Resources and include these procedures in an accounting policies and procedures manual. We recommend that the Treasurer regularly review all significant due dates of the budgeting process. The temporary or permanent appropriation measures should be submitted to the County Budget Commission once approved by the Board.

Finding Number	2017-004
----------------	----------

Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure must be made by Board resolution and comply with the same provisions of the law as used in developing the original appropriations.

The District did not properly amend its appropriations by submitting them to the County Budget Commission for the fiscal year ended June 30, 2017.

By not properly and timely submitting the Board approved appropriation measures with the County Budget Commission, the potential to overspend in certain funds exists and may hinder the District’s ability to effectively budget and monitor disbursements related to the budget.

**BATAVIA LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2017**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)</b>	
Finding Number	2017-004 – (Continued)

We recommend the District comply with the Ohio Revised Code and monitor appropriations and certified resources to ensure proper budgeting and to prevent excess spending. In addition, the District should monitor its budgetary process on a regular basis and make amendments as necessary. We recommend that the Treasurer regularly review all significant due dates of the budgeting process.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
--

None.



# BATAVIA LOCAL SCHOOL DISTRICT

**CORRECTIVE ACTION PLAN**  
**2 CFR § 200.511(c)**  
**JUNE 30, 2017**

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2017-001	The District will monitor the budget on a continual basis and made modifications as necessary to ensure appropriations do not exceed estimated resources.	Fiscal Year 2018	Michael Ashmore, Treasurer
2017-002	The District will monitor the budget on a continual basis and made modifications as necessary to ensure appropriations do not exceed estimated resources.	Fiscal Year 2018	Michael Ashmore, Treasurer
2017-003	The District will monitor the budget guidelines and significant due dates on a continual basis to ensure appropriations are properly submitted to, and certified by, the County Budget Commission.	Fiscal Year 2018	Michael Ashmore, Treasurer
2017-004	The District will monitor the budget guidelines and significant due dates on a continual basis to ensure appropriations are properly submitted to, and certified by, the County Budget Commission.	Fiscal Year 2018	Michael Ashmore, Treasurer



**BATAVIA LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
2 CFR § 200.511(b)  
JUNE 30, 2017**

Finding Number	Year Initially Occurred	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
2016-001	2015	<u>Material Weakness - Financial Statement Presentation</u> - An adjustment was made to the financial statements for the fiscal year ended June 30, 2016, to properly state the net pension liability and the related deferred outflows/inflows as well as adjustments to the financial statement presentation. These adjustments affected the governmental activities, business-type activities, and food service fund.	Yes	N/A
2016-002	2015	Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the last certified amended certificate. Ohio Revised Code Section 5705.36 also requires the District to certify the proper unencumbered beginning balances to the County Auditor on or about the first of each fiscal year.	No	Repeated as Finding 2017-001
2016-003	2015	Ohio Revised Code Section 5705.39 requires that a subdivision's total appropriations from each fund should not exceed total estimated resources.	No	Repeated as Finding 2017-002
2016-004	2015	Ohio Revised Code Section 5705.36 (A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.	Yes	N/A

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**BATAVIA LOCAL SCHOOL DISTRICT**

**CLERMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 15, 2018**