



OHIO AUDITOR OF STATE
KEITH FABER



**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY
JUNE 30, 2020 AND 2019**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis – June 30, 2020	3
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2020	4
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds – June 30, 2020	5
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds – For the Fiscal Year Ended June 30, 2020	6
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance - Budget and Actual – Budgetary Basis – General Fund - For the Fiscal Year Ended June 30, 2020	7
Statement of Fiduciary Net Position – Cash Basis - Fiduciary Funds – June 30, 2020	8
Statement of Change in Fiduciary Net Position – Cash Basis - Fiduciary Fund – For the Fiscal Year Ended June 30, 2020	9
Notes to the Basic Financial Statements – For the Fiscal Year Ended June 30, 2020	11
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis – June 30, 2019	45
Statement of Activities – Cash Basis – For the Fiscal Year Ended June 30, 2019	46
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances – Governmental Funds – June 30, 2019	47
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds – For the Fiscal Year Ended June 30, 2019	48
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance - Budget and Actual – Budgetary Basis – General Fund - For the Fiscal Year Ended June 30, 2019	49
Statement of Fiduciary Net Position – Cash Basis - Fiduciary Funds – June 30, 2019	50
Statement of Change in Fiduciary Net Position – Cash Basis - Fiduciary Fund – For the Fiscal Year Ended June 30, 2019	51

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY
JUNE 30, 2020 AND 2019**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Notes to the Basic Financial Statements – For the Fiscal Year Ended June 30, 2019.....	53
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	87
Schedule of Findings	89
Prepared by Management:	
Summary Schedule of Prior Audit Findings	91

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Arcanum-Butler Local School District
Darke County
2011 Trojan Avenue
Arcanum, Ohio 45304

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Arcanum-Butler Local School District, Darke County, Ohio (the School District), as of and for the fiscal years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2020 and 2019, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the fiscal years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Emphasis of Matter

As discussed in Note 22 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2020, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

December 15, 2020

Arcanum-Butler Local School District
Darke County, Ohio
Statement of Net Position - Cash Basis
June 30, 2020

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$8,364,376
<i>Total Assets</i>	\$8,364,376
 Net Position	
Restricted for:	
Debt Service	\$1,123,034
Other Purposes	914,606
Unrestricted	6,326,736
<i>Total Net Position</i>	\$8,364,376

See accompanying notes to the basic financial statements

Arcanum-Butler Local School District

Darke County, Ohio

*Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2020*

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Change in Net Position
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$6,327,999	\$1,388,807	\$2,982		(\$4,936,210)
Special	1,458,054	159,347	738,828		(559,879)
Vocational	100,552		17,963		(82,589)
Other	3,184				(3,184)
Support Services:					
Pupil	990,259		233,282		(756,977)
Instructional Staff	540,674	2,619	9,968		(528,087)
Board of Education	71,073				(71,073)
Administration	889,282				(889,282)
Fiscal	319,653				(319,653)
Operation and Maintenance of Plant	1,231,751		45,008		(1,186,743)
Pupil Transportation	570,609	33,968			(536,641)
Central	12,810				(12,810)
Operation of Non-Instructional Services	475,889	131,350	107,452		(237,087)
Extracurricular Activities	451,455	148,745	10,562		(292,148)
Capital Outlay	2,684,097			189,137	(2,494,960)
Principal Retirement	622,066				(622,066)
Interest and Fiscal Charges	349,096				(349,096)
Payment to Refunded Bond Escrow Agent	500				(500)
Totals	\$17,099,003	\$1,864,836	\$1,166,045	\$189,137	(\$13,878,985)
General Receipts					
					2,551,371
					802,320
					48,768
					2,288,612
					5,918,528
					144,861
					112,474
					<u>11,866,934</u>
					Change in Net Position
					(2,012,051)
					<i>Net Position Beginning of Year</i>
					<u>10,376,427</u>
					<i>Net Position End of Year</i>
					<u><u>\$8,364,376</u></u>

See accompanying notes to the basic financial statements

Arcanum-Butler Local School District
Darke County, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2020

	General	Bond Retirement	Multi-Purpose Building	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$5,854,783	\$1,123,034	\$470,163	\$916,396	\$8,364,376
<i>Total Assets</i>	<u>\$5,854,783</u>	<u>\$1,123,034</u>	<u>\$470,163</u>	<u>\$916,396</u>	<u>\$8,364,376</u>
Fund Balances					
Restricted	0	1,123,034	0	914,606	2,037,640
Committed	0	0	470,163	1,790	471,953
Assigned	396,293	0	0	0	396,293
Unassigned	5,458,490	0	0	0	5,458,490
<i>Total Fund Balances</i>	<u>\$5,854,783</u>	<u>\$1,123,034</u>	<u>\$470,163</u>	<u>\$916,396</u>	<u>\$8,364,376</u>

See accompanying notes to the basic financial statements

Arcanum-Butler Local School District
Darke County, Ohio

Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General	Bond Retirement	Multi-Purpose Building	Other Governmental Funds	Total Governmental Funds
Receipts					
Property Taxes	\$2,551,371	\$802,320	\$0	\$48,768	\$3,402,459
Income Tax	2,288,612	0	0	0	2,288,612
Intergovernmental	6,263,390	121,903	0	672,572	7,057,865
Interest	144,861	0	31,601	3,839	180,301
Tuition and Fees	1,448,160	0	0	81,078	1,529,238
Customer Sales and Service	0	0	0	129,916	129,916
Extracurricular Activities	18,916	0	0	130,145	149,061
Contributions and Donations	2,982	0	154,060	22,265	179,307
Rent	250	0	0	0	250
Miscellaneous	130,650	0	1,098	20,034	151,782
<i>Total Receipts</i>	<u>12,849,192</u>	<u>924,223</u>	<u>186,759</u>	<u>1,108,617</u>	<u>15,068,791</u>
Disbursements					
Current:					
Instruction:					
Regular	6,195,267	0	0	132,732	6,327,999
Special	1,253,841	0	0	204,213	1,458,054
Vocational	100,552	0	0	0	100,552
Other	3,184	0	0	0	3,184
Support Services:					
Pupil	779,587	0	0	210,672	990,259
Instructional Staff	530,315	0	0	10,359	540,674
Board of Education	69,610	0	1,463	0	71,073
Administration	887,635	788	0	859	889,282
Fiscal	301,694	16,867	71	1,021	319,653
Operation and Maintenance of Plant	1,075,386	0	95,242	61,123	1,231,751
Pupil Transportation	570,609	0	0	0	570,609
Central	12,810	0	0	0	12,810
Operation of Non-instructional Activities	207,500	0	0	268,389	475,889
Extracurricular Activities	285,583	0	0	165,872	451,455
Capital Outlay	7,576	0	2,085,121	591,400	2,684,097
Principal	92,066	530,000	0	0	622,066
Interest	31,171	317,925	0	0	349,096
Payment to Refunded Bond Escrow Agent	0	500	0	0	500
<i>Total Disbursements</i>	<u>12,404,386</u>	<u>866,080</u>	<u>2,181,897</u>	<u>1,646,640</u>	<u>17,099,003</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>444,806</u>	<u>58,143</u>	<u>(1,995,138)</u>	<u>(538,023)</u>	<u>(2,030,212)</u>
Other Financing Sources (Uses)					
Transfers In	0	0	0	54,000	54,000
Transfers Out	(54,000)	0	0	0	(54,000)
Proceeds from Sale of Capital Assets	18,161	0	0	0	18,161
<i>Total Other Financing Sources (Uses)</i>	<u>(35,839)</u>	<u>0</u>	<u>0</u>	<u>54,000</u>	<u>18,161</u>
<i>Net Change in Fund Balances</i>	408,967	58,143	(1,995,138)	(484,023)	(2,012,051)
<i>Fund Balances Beginning of Year</i>	<u>5,445,816</u>	<u>1,064,891</u>	<u>2,465,301</u>	<u>1,400,419</u>	<u>10,376,427</u>
<i>Fund Balances End of Year</i>	<u>\$5,854,783</u>	<u>\$1,123,034</u>	<u>\$470,163</u>	<u>\$916,396</u>	<u>\$8,364,376</u>

See accompanying notes to the basic financial statements

Arcanum-Butler Local School District
Darke County, Ohio

*Statement of Cash Receipts, Cash Disbursements and Changes
In Fund Cash Balance - Budget and Actual - Budgetary Basis
General Fund*

For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$2,446,040	\$2,446,040	\$2,551,371	\$105,331
Income Taxes	2,150,000	2,150,000	2,288,612	138,612
Intergovernmental	6,466,300	6,466,300	6,263,390	(202,910)
Interest	84,500	84,500	144,861	60,361
Tuition and Fees	1,259,000	1,259,000	1,372,410	113,410
Rent	500	500	250	(250)
Gifts and Donations	1,200	1,200	0	(1,200)
Miscellaneous	11,500	13,850	12,078	(1,772)
<i>Total Revenues</i>	<u>12,419,040</u>	<u>12,421,390</u>	<u>12,632,972</u>	<u>211,582</u>
Expenditures				
Current:				
Instruction:				
Regular	6,068,668	6,242,317	6,164,224	78,093
Special	1,288,439	1,379,439	1,364,411	15,028
Vocational	103,813	107,813	100,098	7,715
Other	5,700	5,700	3,184	2,516
Support Services:				
Pupil	704,260	741,305	786,184	(44,879)
Instructional Staff	566,008	584,008	531,895	52,113
Board of Education	79,784	79,784	70,171	9,613
Administration	915,137	943,137	892,949	50,188
Fiscal	308,787	316,787	302,782	14,005
Operation and Maintenance of Plant	1,409,412	1,427,412	1,198,070	229,342
Pupil Transportation	693,425	697,425	589,441	107,984
Central	14,952	15,743	13,428	2,315
Operation of Non-Instructional Services	203,300	217,300	207,500	9,800
Extracurricular Activities	290,685	290,685	286,064	4,621
Capital Outlay	17,219	18,719	7,576	11,143
Debt Service:				
Principal	92,100	92,100	92,066	34
Interest	31,250	31,250	31,171	79
<i>Total Expenditures</i>	<u>12,792,939</u>	<u>13,190,924</u>	<u>12,641,214</u>	<u>549,710</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(373,899)</u>	<u>(769,534)</u>	<u>(8,242)</u>	<u>761,292</u>
Other Financing Sources (Uses)				
Transfers Out	(55,000)	(55,000)	(54,000)	1,000
Proceeds from Sale of Capital Assets	0	0	18,161	18,161
Refund of Prior Year Receipts	(5,000)	(5,000)	(1,404)	3,596
Refund of Prior Year Expenditures	30,000	30,000	142,399	112,399
<i>Total Other Financing Sources (Uses)</i>	<u>(30,000)</u>	<u>(30,000)</u>	<u>105,156</u>	<u>135,156</u>
<i>Net Change in Fund Balance</i>	<u>(403,899)</u>	<u>(799,534)</u>	<u>96,914</u>	<u>896,448</u>
<i>Fund Balance Beginning of Year</i>	5,139,915	5,139,915	5,139,915	0
Prior Year Encumbrances Appropriated	206,606	206,606	206,606	0
<i>Fund Balance End of Year</i>	<u>\$4,942,622</u>	<u>\$4,546,987</u>	<u>\$5,443,435</u>	<u>\$896,448</u>

See accompanying notes to the basic financial statements

Arcanum-Butler Local School District
Darke County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2020

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$24,768	\$45,214
Investments in Segregated Accounts	4,192	0
<i>Total Assets</i>	\$28,960	\$45,214
 Net Position		
Held for Students		\$45,214
Held in Trust for Scholarships	\$28,960	
	\$28,960	\$45,214

See accompanying notes to the basic financial statements

Arcanum-Butler Local School District
Darke County, Ohio
Statement of Change in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2020

	Private Purpose Trust
Additions	
Gifts and Contributions	\$6,441
Interest	28
Miscellaneous	1,165
	7,634
 Deductions	
Payments in Accordance with Trust Agreements	12,846
Change in Net Position	(5,212)
Net Position - Beginning of Year	34,172
Net Position - End of Year	\$28,960

See accompanying notes to the basic financial statements

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Arcanum-Butler Local School District
Darke County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was originally established in 1885 and consolidated as the Arcanum-Butler Local School District through the consolidation of existing land areas and School Districts. The School District serves an area of approximately 54 square miles. It is located in Darke County, and includes all of the Villages of Arcanum, Ithaca, Gordon, and Castine and portions of Twin, Butler, VanBuren, and Neave Townships. It is staffed by 45 non-certificated employees, 79 certified full-time teaching personnel and 5 administrative employees who provide services to 1,142 students and other community members. The School District currently operates one building which houses all operations of the school.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Arcanum-Butler Local 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 and for which a financial benefit or burden relationship exists. 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) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the School District. The School District is financially accountable for an organization if an organization is fiscally dependent on the School District and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on the School District regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Component units may also include organizations that do not otherwise meet the criteria for inclusion if it is determined that their exclusion would be misleading. Arcanum-Butler Local School District has no component units.

The School District participates in two jointly governed organizations, two insurance purchasing pools, a shared risk pool, and a related organization. These organizations are discussed in Notes 10, 11, 12, and 13 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Educational Technology Association
Southwestern Ohio Educational Purchasing Council

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY
(continued)

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan
Ohio School Plan

Shared Risk Pool:

Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust)

Related Organization:

Arcanum Public Library

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although Ohio Administrative Code Section 117-2-03(B) requires the School District's financial report to follow generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

A. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. 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 School District classifies each fund as either governmental or fiduciary.

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

General Fund - The General Fund is the operating fund of the School District and 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.

Bond Retirement Fund - The Bond Retirement Fund accounts for property tax revenues and State exemption reimbursements collected for the payment of general obligation bonded debt.

Multi-Purpose Building Fund - The Multi-Purpose Building Fund is used to account for the donations and construction expenditures of the School District's new multi-purpose building.

The other governmental funds of the School District account for grants and other resources whose use is restricted or committed to a particular purpose.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds: Fiduciary funds account for cash and investments where the School District is acting as trustee or fiscal agent for other entities or individuals. The School District's fiduciary funds include private-purpose trust funds and agency funds. Trust funds account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's private purpose trust funds account for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature, where the School District deposits and pays cash as directed by another entity or individual. The School District's agency funds account for student activities' cash and presale athletic tournament tickets.

B. Basis of Presentation

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

Government-wide Statement of Net Position and Statement of Activities: These statements display information about the School District as a whole, except for fiduciary funds. The statements report governmental activities separately from business-type activities. The School District, however, does not have any business-type activities.

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

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

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when the liability is incurred.

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on disbursements plus encumbrances at a level of control selected by the Board. The Board of Education uses the fund and function level within the General Fund and the fund level for all other funds as its legal level of control.

The certificate of estimated resources may be amended during the year if the School District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

E. Cash, Cash Equivalents and Investments

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds except the principal amount of the private purpose trust funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Investments of the private purpose trust funds are presented as "Investments in Segregated Accounts" on the financial statements.

The School District invested in negotiable certificates of deposit, STAR Ohio, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, money market fund, U.S. Treasury Note, and commercial paper during fiscal year 2020. Investments are reported at cost, except for the money market fund and STAR Ohio. The School District's money market fund investment is recorded at amount reported by Red Tree Investments at June 30, 2020.

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice is appreciated for deposits and withdrawals of \$25 million or more. STAR Ohio reserves the right to limit the transaction to \$100 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2020 were \$144,861, which includes \$63,873 assigned to the General Fund from other funds.

For presentation on the financial statements and in the notes to the basic financial statements, investments with an original maturity of three months or less and those purchased from the cash management pool are deemed cash equivalents. Investments with an initial maturity of more than three months and not purchased from the pool are reported as investments.

F. Restricted Assets

Cash and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such restraints are either imposed by creditors, contributors, grantors, laws of other governments or imposed by law through constitutional provisions or other enabling legislation. The School District does not report any restricted assets.

G. Inventory

On the cash basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased and not as assets in the accompanying financial statements.

H. Prepaid Items

On the cash basis of accounting, payments made to vendors for services that will benefit periods beyond June 30, 2020, are recorded as disbursements when made and not as assets in the accompanying financial statements.

I. Capital Assets

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

J. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

L. Pensions/Other Postemployment Benefits (OPEB)

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

M. Fund Balance

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 2 - 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. These amounts are assigned by the School District's Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education or a School District official delegated by that authority by resolution or by State Statute. State statute authorizes the School District's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District's Board of Education assigned fund balance for school supplies and educational activities.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

O. Interfund Activity

Permanent nonexchange flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds on the fund financial statements and eliminated on the district wide statements. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

P. Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligation. Proceeds of debt are reported when cash is received, and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 3 – 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 the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations, including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, Passbook accounts;

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, 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, qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At June 30, 2020, the School District had \$200 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$305,150 of the School District's bank balance of \$831,779 was exposed to custodial credit risk because it was uninsured and collateralized.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

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

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

B. Investments

As of June 30, 2020, the School District had the following investments:

Investment Type	Investment Maturities			
	Carrying Value	Less Than One Year	One to Three Years	Three to Five Years
Commercial Paper	\$705,248	\$705,248	\$0	\$0
Federal Home Loan Mortgage Corporation	150,000	0	150,000	0
Federal National Mortgage Association	299,588	0	299,588	0
U.S. Treasury Note	99,395	99,395	0	0
First American Treasury Obligation Fund	4,750	4,750	0	0
Negotiable Certificates of Deposit	2,322,147	0	1,186,020	1,136,127
STAR Ohio	4,216,647	4,216,647	0	0
Total	<u>\$7,797,775</u>	<u>\$5,026,040</u>	<u>\$1,635,608</u>	<u>\$1,136,127</u>

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. State statute limits the maturity of investments to five years unless matched to a specific obligation or debt of the School District. The School District does not have a formal investment policy that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk: The School District places no limit on the amount it may invest in any one issuer. 54% of the District's investments at June 30, 2020 were in STAR Ohio and 5% were in a Morgan Stanley Private Bank negotiable certificate of deposit.

Credit Risk: State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. The School District's investment in STAR Ohio was rated AAAm by Standards & Poor's at June 30, 2020. The School District's investments in the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association were rated Aaa by Moody's Investors Service and AA+ by Standard & Poor's at June 30, 2020. The School District's investments in commercial paper were rated P-1 by Moody's Investors Service and A-1 or A-1+ by Standard and Poor's at June 30, 2020.

NOTE 4 - PROPERTY TAXES

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 4 - PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax receipts received in calendar 2020 represents collections of calendar year 2019 taxes. Real property taxes received in calendar year 2020 were levied after April 1, 2019, on the assessed value listed as of January 1, 2019, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar 2020 represents collections of calendar year 2019 taxes. Public utility real taxes received in calendar year 2020 became a lien December 31, 2018, were levied after April 1, 2019, and are collected in 2020 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Darke County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020, are available to finance fiscal year 2021 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2020 taxes were collected are:

	2019 Second- Half Collections		2020 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$130,849,500	93%	\$132,442,610	93%
Public Utility Personal	9,389,260	7	9,849,940	7
Total	\$140,238,760	100%	\$142,292,550	100%

Tax rate per \$1,000 of
assessed valuation

\$30.60

\$30.60

NOTE 5 - INCOME TAX

As of June 30, 2020, the School District levies a voted tax of a total of one and one half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts to the General Fund during fiscal year 2020 were \$2,288,612.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 6 – BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Budget and Actual – Budgetary Basis presented for the General Fund is presented on the budgetary basis to provide meaningful comparison of actual results with the budget. The differences between the budgetary basis and cash basis are:

- (1) outstanding year-end encumbrances are treated as expenditures (budgetary) rather than as an assignment of fund balance (cash), and,
- (2) difference in perspective arises from some funds being included in the general fund (cash basis), but have separate legally adopted budgets (budgetary basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General Fund:

	Net Change in Fund Balance
Cash Basis	\$408,967
Adjustment for Encumbrances	(298,461)
Difference in Perspective	(13,592)
Budgetary Basis	\$96,914

NOTE 7 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2020, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), an insurance purchasing pool (see Note 11). Each individual participant enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. The School District contracts for general liability, property, and fleet insurance.

Coverage provided is as follows:

Buildings and Contents – replacement cost	\$39,530,615
Automobile Liability	6,000,000
Uninsured Motorist	1,000,000
General Liability	
Per Occurrence	6,000,000
Aggregate per member	8,000,000
Sexual misconduct and molestation	
Per Occurrence	6,000,000
Aggregate per member	8,000,000
Errors and Omissions	6,000,000

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 7 - RISK MANAGEMENT (Continued)

Employer's Liability and Stop Gap	
Per Occurrence	6,000,000
Employee Benefit Liability	
Per Occurrence	6,000,000
Aggregate per member	8,000,000
Public Employee Dishonesty	100,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the prior year.

B. Workers' Compensation

For fiscal year 2020, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 11). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" 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 Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

C. Employee Benefits

For fiscal year 2020, the School District participated in the Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust), a risk sharing pool (Note 12). The School District pays monthly premiums to the Trust for employee medical, dental, vision, and life insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

The net pension liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

Net Pension Liability/Net OPEB Liability

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

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

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/OPEB are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the required pension disclosures. See Note 9 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 2018, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020, the allocation to pension, death benefits, and Medicare B was 14.00 percent. None of the employer contribution was allocated to the Health Care Fund for fiscal year 2020.

The School District’s contractually required contribution to SERS was \$210,215 for fiscal year 2020.

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.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of-living increases are not affected by this change. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five year of service credit and age 65, or 35 years of service credit and at least age 60.

Eligibility changes for DB Plan members who retire with actuarially reduced benefits will be phased in until August 1, 2023, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS 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. New members 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. Eligible survivors of members who die before service retirement may qualify for monthly benefits. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The fiscal year 2020 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For fiscal year 2020, the full employer contribution was allocated to pension.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

The School District’s contractually required contribution to STRS was \$714,096 for fiscal year 2020.

Net Pension Liability

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net Pension Liability Prior Measurement Date	0.04341640%	0.04231704%	
Proportion of the Net Pension Liability Current Measurement Date	0.04323900%	0.04241871%	
Change in Proportionate Share	-0.00017740%	0.00010167%	
 Proportionate Share of the Net Pension Liability	 \$2,587,065	 \$9,380,643	 \$11,967,708

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.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

The actuarial assumptions used were based on the results of an actuarial experience study for the five year period ending 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10-Yr Expected Real Rate of Return</u>
Cash	1.0%	0.50%
U.S. Stocks	22.5%	4.75%
Non-U.S. Stocks	22.5%	7.00%
Fixed Income	19.0%	1.50%
Private Equity	10.0%	8.00%
Real Estate	15.0%	5.00%
Multi-Asset Strategy	10.0%	3.00%
Total	100.0%	

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 8 - DEFINED BENEFIT 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 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	<u>1% Decrease</u> (6.50%)	<u>Current</u> <u>Discount Rate</u> (7.50%)	<u>1% Increase</u> (8.50%)
School District's proportionate share of the net pension liability	\$3,625,403	\$2,587,065	\$1,716,289

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	12.50 % at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses including inflation
Discount rate of return	7.45%
Payroll increases	3.00 %
Cost-of-living adjustments	0 %

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

Actuarial assumptions used in the July 1, 2019 valuation are based on the results of an actuarial experience study for the the period July 1, 2011, through June 30, 2016.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

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

Asset Class	Target Allocation*	10-Yr Expected Real Rate of Return**
Domestic Equity	28%	7.35%
International Equity	23%	7.55%
Alternatives	17%	7.09%
Fixed Income	21%	3.00%
Real Estate	10%	6.00%
Liquidity Reserves	1%	2.25%
Total	100%	

*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$13,708,764	\$9,380,463	\$5,716,666

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 9 – DEFINED BENEFIT OPEB PLANS

The net OPEB liability (asset) is disclosed and not reported on the face of the financial statements as a liability (asset) because of the use of the cash basis framework.

See note 8 for a description of the net OPEB liability

Plan Description - School Employees Retirement System (SERS)

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

The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2020, this amount was \$19,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the School District's surcharge obligation was \$27,160.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District’s contractually required contribution to SERS was \$27,160 for fiscal year 2020.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2021. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset) Prior Measurement Date	0.04382920%	0.04231704%	
Proportion of the Net OPEB Liability (Asset) Current Measurement Date	<u>0.04417320%</u>	<u>0.04241871%</u>	
Change in Proportionate Share	<u>0.00034400%</u>	<u>0.00010167%</u>	
Proportionate Share of the Net OPEB Liability (Asset)	\$1,110,863	(\$702,556)	\$408,307

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2019, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.13 percent
Prior Measurement Date	3.62 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.22 percent
Prior Measurement Date	3.70 percent
Medical Trend Assumption	
Medicare	5.25 to 4.75 percent
Pre-Medicare	7.00 to 4.75 percent

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

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

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

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

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

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22 percent. The discount rate used to measure total OPEB liability prior to June 30, 2019 was 3.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.13 percent, as of June 30, 2019 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.22%) and higher (4.22%) than the current discount rate (3.22%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.75%) and higher (8.00% decreasing to 5.75%) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School District's proportionate share of the net OPEB liability	\$1,348,377	\$1,110,863	\$922,012
	1% Decrease (6.00% decreasing to 3.75 %)	Trend Rate (7.00 % decreasing to 4.75 %)	1% Increase (8.00 % decreasing to 5.75 %)
School District's proportionate share of the net OPEB liability	\$890,026	\$1,110,863	\$1,403,860

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2019, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	5.87 percent initial, 4 percent ultimate
Medicare	4.93 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	7.73 percent initial, 4 percent ultimate
Medicare	9.62 percent initial, 4 percent ultimate

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

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

Actuarial assumptions used in the June 30, 2019, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

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

*Target allocation will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan assets of 7.45 percent was used to measure the total OPEB liability as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2019, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	(\$599,491)	(\$702,556)	(\$789,209)

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$796,666)	(\$702,556)	(\$587,293)

Since the prior measurement date, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Educational Technology Association

META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology, and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META consists of a president, vice-president, and six board members who represent the members of META. The Board works with META's chief executive officer, chief operating officer, and chief financial officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting, and designating management. Each school district's degree of control is limited to its representation on the Board. The School District paid META \$34,558 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer at 100 Executive Drive, Marion, Ohio 43302.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS (continued)

B. Southwestern Ohio Educational Purchasing Council

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of over 200 school districts. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

The Council exercises total control over the operations of the Council, including budgeting, appropriating, contracting, and designating management. Each member's degree of control is limited to its representation on the Council. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2020, the School District did not have to pay any membership fee to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 11 - INSURANCE PURCHASING POOLS

A. Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

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

B. Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP was created and organized pursuant to and authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the sole purpose of enabling members of the OSP to provide for a formalized, jointly administered self-insurance program to maintain adequate self-insurance protection, risk management programs, and other administrative services. The OSP's business and affairs are conducted by a 12 member Board of Directors consisting of school district superintendents and treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting claims management, accounting, system support services, sales, and marketing to the OSP. Hylant Administrative Service, LLC, also coordinates reinsurance brokerage services for the OSP.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 12 – SHARED RISK POOL

Southwestern Ohio Educational Purchasing Council Benefit Plan Trust

The Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust) is a public entity shared risk pool. The trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9). Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwest Ohio Educational Purchasing Council and it’s participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to the acceptance by the Trust and payment of monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Dr., Suite 208, Vandalia, OH 45377.

NOTE 13 – RELATED ORGANIZATION

The Arcanum Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Arcanum-Butler Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely the Board of Trustees. The School District had no financial transactions with the Arcanum Public Library during fiscal year 2020. Financial information can be obtained from the Arcanum Public Library, Deborah Dynes, Clerk/Treasurer, at 101 West North Street, Arcanum, Ohio 45304.

NOTE 14 - SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2019	\$0
Current Year Set-aside Requirement	199,462
Current Offsets	(48,768)
Qualifying Disbursements	(150,694)
Set-aside Balances Carried Forward	
to Future Fiscal Years	\$0
Set-aside Reserve Balances as of June 30, 2020	\$0

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 14 - SET-ASIDE CALCULATIONS (continued)

The School District had current year offsets and qualifying disbursements during the fiscal year that reduced the capital improvements set-aside below zero. These extra amounts may not be used to reduce the set-aside requirements in future fiscal years.

NOTE 15 – LONG-TERM OBLIGATIONS

The changes in the School District’s long-term obligations during fiscal year 2020 were as follows:

	Principal Outstanding 6/30/19	Additions	Deductions	Principal Outstanding 6/30/20
Classroom Facilities Refunding Bonds 2016 -1.47- 4.00%	10,149,991	0	530,000	9,619,991
Total Long-Term Obligations	\$10,149,991	\$0	\$530,000	\$9,619,991

Of the \$9,619,991 Classroom Facilities Refunding Bonds outstanding, \$290,671 is the amount due in one year.

Classroom Facilities General Obligation Advance Refunding Bonds - During fiscal year 2016, the School District issued \$10,769,991 in general obligation bonds to advance refund the 2008 serial and term bonds. Of the bonds, \$6,830,000 are serial bonds with maturity dates of December 1, 2016 to December 1, 2019, and December 1, 2023 to December 1, 2031, and \$764,991 are capital appreciation bonds with maturity dates of December 1, 2020, 2021, and 2022. The maturity amount is \$540,000 each year. \$1,540,000 are term bonds maturing December 1, 2033, and \$1,635,000 are term bonds maturing December 31, 2035.

The proceeds from the refunding bonds were used to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the general obligation bonds. As a result, the refunded bonds are considered to be defeased.

The reacquisition price was higher than the net carrying amount of the old debt by \$1,178,322. This advance refunding resulted in a reduction of total debt service payments of \$1,150,997 and an economic gain (present value of debt service savings) of \$763,474.

The School District’s overall legal debt margin was \$4,309,373 and the unvoted debt margin was \$142,293 at June 30, 2020.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the refunding bonds are as follow:

Fiscal year Ending June 30,	Serial Bonds		Capital Appreciation Bonds		Term Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$0	\$217,374	\$290,671	\$249,329	\$0	\$95,250
2022	0	217,374	253,406	286,594	0	95,250
2023	0	217,376	220,914	319,086	0	95,250
2024	540,000	206,575	0	0	0	95,250
2025	560,000	184,575	0	0	0	95,250
2026-2030	3,150,000	575,813	0	0	0	476,250
2031-2035	1,430,000	57,800	0	0	1,540,000	372,075
2036	0	0	0	0	1,635,000	12,450
Total	<u>\$5,680,000</u>	<u>\$1,676,887</u>	<u>\$764,991</u>	<u>\$855,009</u>	<u>\$3,175,000</u>	<u>\$1,337,025</u>

The bonds will be paid from the Bond Retirement Debt Service Fund with property tax revenue.

NOTE 16 – DIRECT FINANCING LEASE

During 2015, the School District entered into a land lease and a leaseback agreement with Greenville National Bank for the purpose of financing the construction, improvement, renovation, furnishment, and equipping of school facilities. The amount financed was \$1,500,000, and the lease carries an interest rate of 2.875 percent. The School District is required to make monthly lease payments of \$10,270, with final payment due January 20, 2030. Principal payments on the lease in fiscal year 2020 totaled \$92,066 from the General Fund.

The following is a schedule of the future long-term minimum lease payments required under the lease and the present value of the minimum lease payments as of June 30, 2020:

Fiscal Year Ending June 30,	Governmental Activities Amounts
2021	\$123,237
2022	123,237
2023	123,237
2024	123,237
2025	123,237
2026-2030	564,836
Total	1,181,021
Less: Amount Representing Interest	(149,890)
Present Value of Net Minimum Lease Payments	<u>\$1,031,130</u>

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 16 – DIRECT FINANCING LEASE (continued)

The lease contains a provision that in the event of default after the construction period, the lessor may, by written notice, request the School District to return possession of the project to the lessor and/or the lessor may take immediate possession of and remove any or all of the personal property constituting the Project. In the event of default, the School District must also reimburse the lessor for any expenses incurred by the lessor in connection with seeking enforcement of or collection of amounts due as part of the lease terms.

NOTE 17 - CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2020.

School Foundation

School District foundation funding is based on the annualized full-time equipment (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, the ODE adjustments for fiscal year 2020 resulted in a receivable from ODE in the amount of \$4,207.

NOTE 18 – TAX ABATEMENT AGREEMENT

The Village of Arcanum has entered into several Community Reinvestment Area (CRA) agreements. Under these agreements, the School District’s property taxes were reduced by \$18,230 during calendar year 2020.

NOTE 19 - COMPLIANCE

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

NOTE 20 – CONTRACTUAL COMMITMENTS

At June 30, 2020, the School District had the following purchase commitments:

<u>Vendor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance At 06/30/20</u>
H.A. Dorsten, Inc.	Multi-Purpose Building	\$2,138,462	\$2,053,338	\$85,124
Ohio Valley Integration	Interior and Exterior Cameras	24,384	0	24,384
Wagner Paving	Asphalt Repair and Sealing	71,846	0	71,846

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020
(Continued)

NOTE 21 – FUND BALANCE

Fund balance of the governmental funds is classified as non-spendable, restricted, committed, assigned, and/or unassigned based on the constraints imposed on the use of the resources.

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2020, were as follows:

Fund Balance	General	Bond Retirement	Multi- Purpose Building	Other Governmental Funds	Total
Restricted for:					
Facilities Maintenance				\$669,542	\$669,542
Debt Retirement		\$1,123,034			1,123,034
School Library				5,645	5,645
Special Education				3,046	3,046
Food Service Operations				50,811	50,811
Extracurricular Activities				72,640	72,640
Student Wellness				84,565	84,565
School Safety				23,379	23,379
Local Grants				4,978	4,978
Total Restricted		1,123,034		914,606	2,037,640
Committed for:					
Multi-purpose Building			\$470,163		470,163
Preschool				1,790	1,790
Total Committed			470,163	1,790	471,953
Assigned for:					
Unpaid Obligations	\$283,691				283,691
Uniform School Supplies	67,951				67,951
Educational Activities	44,651				44,651
Total Assigned	396,293				396,293
Unassigned	5,458,490			0	5,458,490
Total Fund Balance	\$5,854,783	\$1,123,034	\$470,163	\$916,396	\$8,364,376

NOTE 22 – COVID 19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the School District. The School District's investment portfolio and the investments of the pension and other postemployment benefit plan in which the School District participates fluctuate with market conditions, and due to market volatility the amounts of gains or losses that will be recognized in subsequent periods, if any, cannot be determined.

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Arcanum-Butler Local School District
Darke County, Ohio
Statement of Net Position - Cash Basis
June 30, 2019

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$10,376,427
<i>Total Assets</i>	\$10,376,427
 Net Position	
Restricted for:	
Debt Service	\$1,064,891
Capital Outlay	589,026
Set-Asides	2,250
Other Purposes	811,137
Unrestricted	7,909,123
<i>Total Net Position</i>	\$10,376,427

See accompanying notes to the basic financial statements

Arcanum-Butler Local School District

Darke County, Ohio

*Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2019*

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Change in Net Position
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$5,976,050	\$1,312,579	\$5,650		(\$4,657,821)
Special	1,266,399	134,258	538,913		(593,228)
Vocational	97,794		52,956		(44,838)
Support Services:					
Pupil	888,397		212,204		(676,193)
Instructional Staff	557,274	1,516	8,468		(547,290)
Board of Education	77,194				(77,194)
Administration	865,848				(865,848)
Fiscal	324,234				(324,234)
Operation and Maintenance of Plant	1,259,396		6,328		(1,253,068)
Pupil Transportation	555,701				(555,701)
Central	10,426				(10,426)
Operation of Non-Instructional Services	435,910	113,480	121,517		(200,913)
Extracurricular Activities	456,058	161,350	7,897		(286,811)
Capital Outlay	1,166,243		2,700	238,666	(924,877)
Principal Retirement	614,542				(614,542)
Interest and Fiscal Charges	359,170				(359,170)
Payment to Refunded Bond Escrow Agent	1,000				(1,000)
Totals	\$14,911,636	\$1,723,183	\$956,633	\$238,666	(\$11,993,154)
General Receipts					
					2,497,690
					783,409
					47,764
					2,141,795
					6,212,060
					161,918
					46,645
					1,250
					<u>11,892,531</u>
					(100,623)
					<u>10,477,050</u>
					<u>\$10,376,427</u>

See accompanying notes to the basic financial statements

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

	General	Bond Retirement	Multi-Purpose Building	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$5,443,566	\$1,064,891	\$2,465,301	\$1,400,419	\$10,374,177
Restricted Asset:					
Equity in Pooled Cash and Cash Equivalents	2,250	0	0	0	2,250
<i>Total Assets</i>	<u>\$5,445,816</u>	<u>\$1,064,891</u>	<u>\$2,465,301</u>	<u>\$1,400,419</u>	<u>\$10,376,427</u>
Fund Balances					
Restricted	2,250	1,064,891	0	1,400,163	2,467,304
Committed	0	0	2,465,301	256	2,465,557
Assigned	950,017	0	0	0	950,017
Unassigned	4,493,549	0	0	0	4,493,549
<i>Total Fund Balances</i>	<u>\$5,445,816</u>	<u>\$1,064,891</u>	<u>\$2,465,301</u>	<u>\$1,400,419</u>	<u>\$10,376,427</u>

See accompanying notes to the basic financial statements

Arcanum-Butler Local School District
Darke County, Ohio

Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General	Bond Retirement	Multi-Purpose Building	Other Governmental Funds	Total Governmental Funds
Receipts					
Property Taxes	\$2,497,690	\$783,409	\$0	\$47,764	\$3,328,863
Income Tax	2,141,795	0	0	0	2,141,795
Intergovernmental	6,488,403	121,790	0	540,238	7,150,431
Interest	161,918	0	29,059	34,080	225,057
Tuition and Fees	1,345,105	0	0	80,073	1,425,178
Customer Sales and Service	0	0	0	112,449	112,449
Extracurricular Activities	21,659	0	0	161,005	182,664
Contributions and Donations	9,600	0	177,142	8,297	195,039
Rent	625	0	0	0	625
Miscellaneous	46,507	0	0	1,405	47,912
<i>Total Receipts</i>	<u>12,713,302</u>	<u>905,199</u>	<u>206,201</u>	<u>985,311</u>	<u>14,810,013</u>
Disbursements					
Current:					
Instruction:					
Regular	5,854,788	0	0	121,262	5,976,050
Special	1,098,522	0	0	167,877	1,266,399
Vocational	97,794	0	0	0	97,794
Support Services:					
Pupil	676,745	0	0	211,652	888,397
Instructional Staff	548,809	0	0	8,465	557,274
Board of Education	72,059	0	5,135	0	77,194
Administration	864,374	621	0	853	865,848
Fiscal	306,503	16,507	222	1,002	324,234
Operation and Maintenance of Plant	1,215,568	0	0	43,828	1,259,396
Pupil Transportation	555,701	0	0	0	555,701
Central	10,426	0	0	0	10,426
Operation of Non-instructional Activities	186,285	0	0	249,625	435,910
Extracurricular Activities	291,252	0	0	164,806	456,058
Capital Outlay	31,871	0	240,930	893,442	1,166,243
Principal	89,542	525,000	0	0	614,542
Interest	33,695	325,475	0	0	359,170
Payment to Refunded Bond Escrow Agent	0	1,000	0	0	1,000
<i>Total Disbursements</i>	<u>11,933,934</u>	<u>868,603</u>	<u>246,287</u>	<u>1,862,812</u>	<u>14,911,636</u>
<i>Excess of Receipts Over Disbursements</i>	<u>779,368</u>	<u>36,596</u>	<u>(40,086)</u>	<u>(877,501)</u>	<u>(101,623)</u>
Other Financing Sources (Uses)					
Transfers In	0	0	2,000,000	41,764	2,041,764
Transfers Out	(2,041,764)	0	0	0	(2,041,764)
Proceeds from Sale of Capital Assets	1,000	0	0	0	1,000
<i>Total Other Financing Sources (Uses)</i>	<u>(2,040,764)</u>	<u>0</u>	<u>2,000,000</u>	<u>41,764</u>	<u>1,000</u>
<i>Net Change in Fund Balances</i>	<u>(1,261,396)</u>	<u>36,596</u>	<u>1,959,914</u>	<u>(835,737)</u>	<u>(100,623)</u>
<i>Fund Balances Beginning of Year</i>	<u>6,707,212</u>	<u>1,028,295</u>	<u>505,387</u>	<u>2,236,156</u>	<u>10,477,050</u>
<i>Fund Balances End of Year</i>	<u>\$5,445,816</u>	<u>\$1,064,891</u>	<u>\$2,465,301</u>	<u>\$1,400,419</u>	<u>\$10,376,427</u>

See accompanying notes to the basic financial statements

Arcanum-Butler Local School District
Darke County, Ohio

*Statement of Cash Receipts, Cash Disbursements and Changes
In Fund Cash Balance - Budget and Actual - Budgetary Basis
General Fund*

For the Fiscal Year Ended June 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property Taxes	\$2,477,651	\$2,951,831	\$2,497,690	(\$454,141)
Income Taxes	2,004,187	2,004,187	2,141,795	137,608
Intergovernmental	6,262,800	6,262,800	6,487,018	224,218
Interest	79,000	79,000	161,918	82,918
Tuition and Fees	1,194,200	1,194,200	1,293,845	99,645
Rent	500	500	625	125
Gifts and Donations	1,500	1,500	3,950	2,450
Miscellaneous	10,500	10,500	14,873	4,373
<i>Total Revenues</i>	<u>12,030,338</u>	<u>12,504,518</u>	<u>12,601,714</u>	<u>97,196</u>
Expenditures				
Current:				
Instruction:				
Regular	5,904,750	5,895,708	5,816,187	79,521
Special	1,076,788	1,136,403	1,093,382	43,021
Vocational	99,270	99,270	99,196	74
Other	1,000	1,000	0	1,000
Support Services:				
Pupil	707,507	754,772	681,415	73,357
Instructional Staff	583,829	569,335	559,334	10,001
Board of Education	77,288	79,513	73,213	6,300
Administration	887,523	909,666	878,395	31,271
Fiscal	300,197	311,897	308,860	3,037
Operation and Maintenance of Plant	1,351,112	1,496,237	1,326,954	169,283
Pupil Transportation	631,487	663,802	568,791	95,011
Central	11,663	11,698	11,628	70
Operation of Non-Instructional Services	188,730	188,730	186,285	2,445
Extracurricular Activities	461,415	313,306	291,252	22,054
Capital Outlay	298,070	59,270	33,590	25,680
Debt Service:				
Principal	90,000	90,000	89,542	458
Interest	36,400	36,400	33,695	2,705
<i>Total Expenditures</i>	<u>12,707,029</u>	<u>12,617,007</u>	<u>12,051,719</u>	<u>565,288</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(676,691)</u>	<u>(112,489)</u>	<u>549,995</u>	<u>662,484</u>
Other Financing Sources (Uses)				
Transfers Out	(54,000)	(2,054,000)	(2,041,764)	12,236
Proceeds from Sale of Capital Assets	0	0	1,000	1,000
Refund of Prior Year Receipts	(5,000)	(5,000)	(2,659)	2,341
Refund of Prior Year Expenditures	45,000	45,000	32,963	(12,037)
<i>Total Other Financing Sources (Uses)</i>	<u>(14,000)</u>	<u>(2,014,000)</u>	<u>(2,010,460)</u>	<u>3,540</u>
<i>Net Change in Fund Balance</i>	(690,691)	(2,126,489)	(1,460,465)	666,024
<i>Fund Balance Beginning of Year</i>	6,364,539	6,364,539	6,364,539	0
Prior Year Encumbrances Appropriated	235,841	235,841	235,841	0
<i>Fund Balance End of Year</i>	<u>\$5,909,689</u>	<u>\$4,473,891</u>	<u>\$5,139,915</u>	<u>\$666,024</u>

See accompanying notes to the basic financial statements

Arcanum-Butler Local School District
Darke County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2019

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$29,980	\$36,910
Investments in Segregated Accounts	4,192	0
<i>Total Assets</i>	<u>\$34,172</u>	<u>\$36,910</u>
Net Position		
Held for Students		36,910
Held in Trust for Scholarships	\$34,172	
	<u>\$34,172</u>	<u>\$36,910</u>

See accompanying notes to the basic financial statements

Arcanum-Butler Local School District
Darke County, Ohio

Statement of Change in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2019

	<u>Private Purpose Trust</u>
Additions	
Gifts and Contributions	\$12,960
Interest	18
Miscellaneous	1,377
	<u>14,355</u>
Deductions	
Payments in Accordance with Trust Agreements	<u>11,758</u>
Change in Net Position	2,597
Net Position - Beginning of Year	<u>31,575</u>
Net Position - End of Year	<u><u>\$34,172</u></u>

See accompanying notes to the basic financial statements

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Arcanum-Butler Local School District
Darke County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was originally established in 1885 and consolidated as the Arcanum-Butler Local School District through the consolidation of existing land areas and School Districts. The School District serves an area of approximately 54 square miles. It is located in Darke County, and includes all of the Villages of Arcanum, Ithaca, Gordon, and Castine and portions of Twin, Butler, VanBuren, and Neave Townships. It is staffed by 46 non-certificated employees, 79 certified full-time teaching personnel and 5 administrative employees who provide services to 1,189 students and other community members. The School District currently operates one building which houses all operations of the school.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Arcanum-Butler Local 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 District is financially accountable and for which a financial benefit or burden relationship exists. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District is financially accountable for an organization if an organization is fiscally dependent on the District and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on the District regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Component units may also include organizations that do not otherwise meet the criteria for inclusion if it is determined that their exclusion would be misleading. Arcanum-Butler Local School District has no component units.

The School District participates in two jointly governed organizations, two insurance purchasing pools, a shared risk pool, and a related organization. These organizations are discussed in Notes 11, 12 and 13 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Educational Technology Association
Southwestern Ohio Educational Purchasing Council

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY
(continued)

Insurance Purchasing Pool/Shared Risk Pool:

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan
Southwestern Ohio Educational Purchasing Council Benefit Plan Trust
Ohio School Plan

Related Organization:

Arcanum Public Library

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although Ohio Administrative Code Section 117-2-03(B) requires the School District's financial report to follow generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting.

A. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. 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 School District classifies each fund as either governmental or fiduciary.

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

General Fund - The General Fund is the operating fund of the School District and 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.

Bond Retirement Fund - The Bond Retirement Fund accounts for property tax revenues and State exemption reimbursements collected for the payment of general obligation bonded debt.

Multi-Purpose Building Fund - The Multi-Purpose Building Fund is used to account for the donations and construction expenditures of the School District's new multi-purpose building.

The other governmental funds of the School District account for grants and other resources whose use is restricted or committed to a particular purpose.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds: Fiduciary funds account for cash and investments where the School District is acting as trustee or fiscal agent for other entities or individuals. The School District's fiduciary funds include private-purpose trust funds and agency funds. Trust funds account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's private purpose trust funds account for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature, where the School District deposits and pays cash as directed by another entity or individual. The School District's agency funds account for student activities' cash and presale athletic tournament tickets.

B. Basis of Presentation

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

Government-wide Statement of Net Position and Statement of Activities: These statements display information about the School District as a whole, except for fiduciary funds. The statements report governmental activities separately from business-type activities. The School District, however, does not have any business-type activities.

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

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

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when the liability is incurred.

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on disbursements plus encumbrances at a level of control selected by the Board. The Board of Education uses the fund and two digit function level within the General Fund and fund level for all other funds as its legal level of control.

The certificate of estimated resources may be amended during the year if the School District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

E. Cash, Cash Equivalents and Investments

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds except the principal amount of the private purpose trust funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Investments of the private purpose trust funds are presented as "Investments in Segregated Accounts" on the financial statements.

The School District invested in negotiable certificates of deposit, STAR Ohio, the Federal National Mortgage Association, the Federal Home Loan Bank, money market fund, and commercial paper during fiscal year 2019. Investments are reported at cost, except for the money market fund and STAR Ohio. The School District's money market fund investment is recorded at amount reported by Red Tree Investments at June 30, 2019.

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2019 were \$161,918, which includes \$24,705 assigned to the General Fund from other funds.

For presentation on the financial statements and in the notes to the basic financial statements, investments with an original maturity of three months or less and those purchased from the cash management pool are deemed cash equivalents. Investments with an initial maturity of more than three months and not purchased from the pool are reported as investments.

F. Restricted Assets

Cash and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such restraints are either imposed by creditors, contributors, grantors, laws of other governments or imposed by law through constitutional provisions or other enabling legislation. Restricted cash and investments in the General Fund are amounts restricted for bus purchases.

G. Inventory

On the cash basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased and not as assets in the accompanying financial statements.

H. Prepaid Items

On the cash basis of accounting, payments made to vendors for services that will benefit periods beyond June 30, 2019, are recorded as disbursements when made and not as assets in the accompanying financial statements.

I. Capital Assets

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

J. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School District's cash basis of accounting.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Pensions/Other Postemployment Benefits (OPEB)

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

L. Fund Balance

Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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.

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. These amounts are assigned by the School District’s Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education or a School District official delegated by that authority by resolution or by State Statute. State statute authorizes the School District’s Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District’s Board of Education assigned fund balance for school supplies and educational activities.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

M. Net Position

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

N. Interfund Activity

Permanent nonexchange flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds on the fund financial statements and eliminated on the district wide statements. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

O. Long-Term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligation. Proceeds of debt are reported when cash is received, and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments are reported when paid.

P. Employer Contributions

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for other postemployment benefits (OPEB).

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended June 30, 2019, the School District has implemented GASB Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements." The purpose of this Statement is to improve the information that is disclosed in the notes to governmental financial statements related to debt, including direct borrowings and placements. The implementation of GASB Statement No. 88 required expanded disclosures about the School District's direct financing lease. It had no impact on fund balance or net position as previously reported at June 30, 2018.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 4 – 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 the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations, including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, Passbook accounts;

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, 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, qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At June 30, 2019, the School District had \$300 in undeposited cash on hand.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$640,810 of the School District's bank balance of \$1,170,807 was exposed to custodial credit risk because it was uninsured and collateralized

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by:

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

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 4 – DEPOSITS AND INVESTMENTS (continued)

B. Investments

As of June 30, 2019, the District had the following investments:

Investment Type	Investment Maturities			
	Carrying Value	Less Than One Year	One to Three Years	Three to Five Years
Commercial Paper	\$484,959	\$484,959	\$0	\$0
Federal Home Loan Bank	225,000	0	225,000	0
Federal National Mortgage Association	885,000	320,000	565,000	0
First American Treasury Obligation Fund	24,228	24,228	0	0
Negotiable Certificates of Deposit	1,883,568	381,503	590,070	911,995
STAR Ohio	6,266,811	6,266,811	0	0
Total	<u>\$9,769,566</u>	<u>\$7,477,501</u>	<u>\$1,380,070</u>	<u>\$911,995</u>

Interest Rate Risk: State statute limits the maturity of investments to five years unless matched to a specific obligation or debt of the School District. The School District does not have a formal investment policy that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk: The School District places no limit on the amount it may invest in any one issuer. 64% of the District’s investments at June 30, 2019 were in STAR Ohio and 9% were in the Federal National Mortgage Association.

Credit Risk: State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. The School District’s investment in STAR Ohio was rated AAAM by Standards & Poor’s at June 30, 2019. The School District’s investments in the Federal Home Loan Bank and the Federal National Mortgage Association were rated Aaa by Moody’s Investors Service and AA+ by Standard & Poor’s at June 30, 2019. The School District’s investments in commercial paper were rated P-1 by Moody’s Investors Service and A-1+ by Standard and Poor’s at June 30, 2019.

NOTE 5 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax receipts received in calendar 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 5 - PROPERTY TAXES (continued)

Public utility property tax receipts received in calendar 2019 represents collections of calendar year 2018 taxes. Public utility real taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018, and are collected in 2019 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Darke County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2019 taxes were collected are:

	2018 Second- Half Collections		2019 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$130,068,980	94%	\$130,849,500	93%
Public Utility Personal	8,508,980	6	9,389,260	7
Total	\$138,577,960	100%	\$140,238,760	100%

Tax rate per \$1,000 of
assessed valuation

\$30.60

\$30.60

NOTE 6 - INCOME TAX

As of June 30, 2019, the School District levies a voted tax of a total of one and one half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts to the General Fund during fiscal year 2019 were \$2,141,795.

NOTE 7 – BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance – Budget and Actual – Budgetary Basis presented for the General Fund is presented on the budgetary basis to provide meaningful comparison of actual results with the budget. The differences between the budgetary basis and cash basis are:

- (1) outstanding year-end encumbrances are treated as expenditures (budgetary) rather than as an assignment of fund balance (cash), and,

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 7 – BUDGETARY BASIS OF ACCOUNTING (continued)

- (2) difference in perspective arises from some funds being included in the general fund (cash basis), but have separate legally adopted budgets (budgetary basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General Fund:

	Net Change in Fund Balance
Cash Basis	(\$1,261,396)
Adjustment for Encumbrances	(206,606)
Difference in Perspective	7,537
Budgetary Basis	(\$1,460,465)

NOTE 8 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2019, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), an insurance purchasing pool (see Note 12). Each individual participant enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. The School District contracts for general liability, property, and fleet insurance. Coverage provided is as follows:

Buildings and Contents – replacement cost	\$38,737,084
Automobile Liability	6,000,000
Uninsured Motorist	1,000,000
General Liability	
Per Occurrence	6,000,000
Aggregate per member	8,000,000
Sexual misconduct and molestation	
Per Occurrence	6,000,000
Aggregate per member	8,000,000
Errors and Omissions	6,000,000
Employer’s Liability and Stop Gap	
Per Occurrence	6,000,000
Employee Benefit Liability	
Per Occurrence	6,000,000
Aggregate per member	8,000,000
Public Employee Dishonesty	100,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the prior year.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 8 - RISK MANAGEMENT (continued)

B. Workers' Compensation

For fiscal year 2019, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 12). 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 percent of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling fund" 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 Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical Benefits

For fiscal year 2019, the School District participated in the Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust), a risk sharing pool (Note 12). The School District pays monthly premiums to the Trust for employee medical, dental, vision, and life insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit
* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.		

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost-of-living adjustment (COLA) on the first anniversary date of the benefit. Beginning April 1, 2018, new benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. A three-year COLA suspension is in effect for all benefit recipients for the years 201, 2019, and 2020. Upon resumption of the COLA, it will be indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$187,294 for fiscal year 2019.

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.

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 is 2.2 percent 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 two percent of the original base benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 2026, when retirement eligibility for unreduced benefits will be age 60 with 35 years of service or age 65 with five years of service.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased to 14 percent on July 1, 2016. For the fiscal year ended June 30, 2019, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations.

The School District's contractually required contribution to STRS was \$698,227 for fiscal year 2019.

Net Pension Liability

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.04294960%	0.04072838%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.04341640%</u>	<u>0.04231704%</u>	
Change in Proportionate Share	<u>0.00046680%</u>	<u>0.00158866%</u>	
Proportionate Share of the Net Pension Liability	\$2,486,538	\$9,304,567	\$11,791,105

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS

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

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

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

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

Inflation	3.00 %
Salary increases	3.50 % to 18.20 % including inflation
Investment rate of return	7.50 %, net of investment expenses including inflation
Cost-of-living adjustments	2.50 %
Actuarial cost method	Entry Age Normal (Level Percent of Payroll)

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

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10-Yr Expected Real Rate of Return</u>
Cash	1.0%	0.50%
U.S. Stocks	22.5%	4.75%
Non-U.S. Stocks	22.5%	7.00%
Fixed Income	19.0%	1.50%
Private Equity	10.0%	8.00%
Real Estate	15.0%	5.00%
Multi-Asset Strategy	10.0%	3.00%
Total	100.0%	

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

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

	<u>1% Decrease</u> (6.50%)	<u>Current Discount Rate</u> (7.50%)	<u>1% Increase</u> (8.50%)
School District's proportionate share of the net pension liability	\$3,502,476	\$2,486,538	\$1,634,742

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

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

Inflation	2.50%
Salary increases	12.50 % at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses including inflation
Discount rate of return	7.45%
Payroll increases	3.00 %
Cost-of-living adjustments	0 %

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

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

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultants 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10-Yr Expected Real Rate of Return *</u>
Domestic Equity	28%	7.35%
International Equity	23%	7.55%
Alternatives	17%	7.09%
Fixed Income	21%	3.00%
Real Estate	10%	6.00%
Liquidity Reserves	1%	2.25%
Total	<u>100%</u>	

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 9 - DEFINED BENEFIT PENSION PLANS (continued)

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. 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, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

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

	1% Decrease <u>(6.45%)</u>	Current Discount Rate <u>(7.45%)</u>	1% Increase <u>(8.45%)</u>
District's proportionate share of the net pension liability	\$13,588,095	\$9,304,567	\$5,679,141

NOTE 10 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability (Asset)

The net OPEB liability(asset) is not reported in the accompanying financial statements. The net OPEB liability (asset) has been disclosed below.

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

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

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 10 – DEFINED BENEFIT OPEB PLANS (continued)

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

Plan Description - School Employees Retirement System (SERS)

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

The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .50 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was \$26,314.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 10 – DEFINED BENEFIT OPEB PLANS (continued)

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District’s contractually required contribution to SERS was \$33,705 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB liability (asset) used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.04338660%	0.04072838%	
Proportion of the Net OPEB Liability (Asset)			
Current Measurement Date	<u>0.04382920%</u>	<u>0.04231704%</u>	
Change in Proportionate Share	<u>0.00044260%</u>	<u>0.00158866%</u>	
Proportionate Share of the Net			
OPEB Liability (Asset)	\$1,215,940	(\$679,992)	\$535,948

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 10 – DEFINED BENEFIT OPEB PLANS (continued)

Actuarial Assumptions - SERS

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

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

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

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

Wage Inflation	3.00 percent
Future Salary Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.75 percent
Pre-Medicare	7.25 to 4.75 percent

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

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 10 – DEFINED BENEFIT OPEB PLANS (continued)

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

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

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

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 10 – DEFINED BENEFIT OPEB PLANS (continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School District's proportionate share of the net OPEB liability	\$1,475,448	\$1,215,940	\$1,010,459
	1% Decrease (6.25 % decreasing to 3.75 %)	Current Trend Rate (7.25 % decreasing to 4.75 %)	1% Increase (8.25 % decreasing to 5.75 %)
School District's proportionate share of the net OPEB liability	\$981,041	\$1,215,940	\$1,526,990

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	5 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	-5.23 percent initial, 4 percent ultimate

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 10 – DEFINED BENEFIT OPEB PLANS (continued)

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

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

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

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

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

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

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 10 – DEFINED BENEFIT OPEB PLANS (continued)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net OPEB asset	(\$582,817)	(\$679,992)	(\$761,663)

	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB asset	(\$757,052)	(\$679,992)	(\$601,731)

Assumption Changes Since the Prior Measurement Date The discount rate was changed from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under *GASB Statement No. 74, Financial Reporting for Post-Employment Plans Other than Pension Plans (OPEB)*. Valuation year per capita health care costs were updated.

Benefit Term Changes Since the Prior Measurement Date The subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019, and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Educational Technology Association

META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology, and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META consists of a president, vice-president, and six board members who represent the members of META. The Board works with META's chief executive officer, chief operating officer, and chief financial officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting, and designating management. Each school district's degree of control is limited to its representation on the Board. The School District paid META \$33,625 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer at 100 Executive Drive, Marion, Ohio 43302.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS (continued)

B. Southwestern Ohio Educational Purchasing Council

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of over 200 school districts. The purpose of the council is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges or other assessments as established by the SOEPC.

The Council exercises total control over the operations of the Council, including budgeting, appropriating contracting, and designating management. Each member's degree of control is limited to its representation on the Council.

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

NOTE 12 - INSURANCE PURCHASING POOL/SHARED RISK POOL

A. Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan

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

B. Southwestern Ohio Educational Purchasing Council Benefit Plan Trust

The Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust) is a public entity shared risk pool. The trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9). Internal Revenue Code and provides medical, dental, and vision insurance benefits to the employees of the participants. The Trust is governed by the Southwest Ohio Educational Purchasing Council and its participating members. Each participant decides which plans offered by the Trust will be extended to its employees. Participation in the Trust is by written application subject to the acceptance by the Trust and payment of monthly premiums. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Council, 303 Corporate Center Dr., Suite 208, Vandalia, OH 45377.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 12 - INSURANCE PURCHASING POOL/SHARED RISK POOL (continued)

C. Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP was created and organized pursuant to and authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the sole purpose of enabling members of the OSP to provide for a formalized, jointly administered self-insurance program to maintain adequate self-insurance protection, risk management programs, and other administrative services. The OSP’s business and affairs are conducted by a 12 member Board of Directors consisting of school district superintendents and treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting claims management, accounting, system support services, sales, and marketing to the OSP. Hylant Administrative Service, LLC, also coordinates reinsurance brokerage services for the OSP.

NOTE 13 – RELATED ORGANIZATION

The Arcanum Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Arcanum-Butler Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely the Board of Trustees. The School District had no financial transactions with the Arcanum Public Library during fiscal year 2019. Financial information can be obtained from the Arcanum Public Library, Deborah Dynes, Clerk/Treasurer, at 101 West North Street, Arcanum, Ohio 45304.

NOTE 14 - SET-ASIDE CALCULATIONS

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2018	\$0
Current Year Set-aside Requirement	199,540
Current Offsets	(47,764)
Qualifying Disbursements	(151,776)
Set-aside Balances Carried Forward	\$0
to Future Fiscal Years	\$0
Set-aside Reserve Balances as of June 30, 2019	\$0

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 14 - SET-ASIDE CALCULATIONS (continued)

The School District had current year offsets and qualifying disbursements during the fiscal year that reduced the capital improvements set-aside below zero. These extra amounts may not be used to reduce the set-aside requirements in future fiscal years.

NOTE 15 – LONG-TERM OBLIGATIONS

The changes in the School District’s long-term obligations during fiscal year 2019 were as follows:

	Principal Outstanding 6/30/18	Additions	Deductions	Principal Outstanding 6/30/19
Classroom Facilities Bonds 2008 3.00 – 4.50%	\$57,735	\$0	\$57,735	\$0
Classroom Facilities Refunding Bonds 2016 -1.47- 4.00%	10,299,991	0	150,000	10,149,991
Total Long-Term Obligations	<u>\$10,357,726</u>	<u>\$0</u>	<u>\$207,735</u> *	<u>\$10,149,991</u>

Of the \$10,149,991 Classroom Facilities Refunding Bonds outstanding, \$530,000 is the amount due in one year.

*Deductions do not tie to principal retirement on the financial statements because the capital appreciation bonds that were retired during the fiscal year had a principal issue amount of \$57,735, presented above, but an accreted value at maturity of \$375,000, shown on the financial statements.

Classroom Facilities General Obligation Bonds – During 2008, the School District issued bonds in the amount of \$13,039,994 to finance the construction of new school facilities. Of these bonds, \$3,755,000 are serial bonds, with maturity dates of December 1, 2008 to December 1, 2015 and December 1, 2019 to December 1, 2022. \$204,994 of the bonds were capital appreciation bonds, with maturity dates of December 1, 2016, 2017, and 2018. The maturity amount was \$360,000, \$370,000, and \$375,000, respectively. \$3,380,000 are term bonds maturing December 1, 2028, and \$5,700,000 are term bonds maturing December 1, 2035.

Classroom Facilities General Obligation Advance Refunding Bonds - During fiscal year 2016, the School District issued \$10,769,991 in general obligation bonds to advance refund the 2008 serial and term bonds. Of the bonds, \$6,830,000 are serial bonds with maturity dates of December 1, 2016 to December 1, 2019, and December 1, 2023 to December 1, 2031, and \$764,991 are capital appreciation bonds with maturity dates of December 1, 2020, 2021, and 2022. The maturity amount is \$540,000 each year. \$1,540,000 are term bonds maturing December 1, 2033, and \$1,635,000 are term bonds maturing December 31, 2035.

The proceeds from the refunding bonds were used to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the general obligation bonds. As a result, the refunded bonds are considered to be defeased.

The reacquisition price was higher than the net carrying amount of the old debt by \$1,178,322. This advance refunding resulted in a reduction of total debt service payments of \$1,150,997 and an economic gain (present value of debt service savings) of \$763,474.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

The School District’s overall legal debt margin was \$3,536,388 and the unvoted debt margin was \$140,239 at June 30, 2019.

Principal and interest requirements to retire the refunding bonds are as follow:

Fiscal year Ending June 30,	Serial Bonds		Capital Appreciation Bonds		Term Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$530,000	\$222,675	\$0	\$0	\$0	\$95,250
2021	0	217,374	290,671	249,329	0	95,250
2022	0	217,374	253,406	286,594	0	95,250
2023	0	217,376	220,914	319,086	0	95,250
2024	540,000	206,575	0	0	0	95,250
2025-2029	3,035,000	689,688	0	0	0	476,250
2030-2034	2,105,000	128,500	0	0	1,540,000	430,350
2035-2037	0	0	0	0	1,635,000	49,425
Total	<u>\$6,210,000</u>	<u>\$1,899,562</u>	<u>\$764,991</u>	<u>\$855,009</u>	<u>\$3,175,000</u>	<u>\$1,432,275</u>

The bonds will be paid from the Bond Retirement Debt Service Fund with property tax revenue.

NOTE 16 – DIRECT FINANCING LEASE

During 2015, the School District entered into a land lease and a leaseback agreement with Greenville National Bank for the purpose of financing the construction, improvement, renovation, furnishment, and equipping of school facilities. The amount financed was \$1,500,000, and the lease carries an interest rate of 2.875 percent. The School District is required to make monthly lease payments of \$10,270, with final payment due January 20, 2030. Principal payments on the lease in fiscal year 2019 totaled \$89,542 from the General Fund.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 16 – DIRECT FINANCING LEASE (continued)

The following is a schedule of the future long-term minimum lease payments required under the lease and the present value of the minimum lease payments as of June 30, 2019:

Fiscal Year Ending June 30,	Governmental Activities Amounts
2020	\$123,237
2021	123,237
2022	123,237
2023	123,237
2024	123,237
2025-2029	616,184
2030	71,888
Total	1,304,257
Less: Amount Representing Interest	(181,061)
Present Value of Net Minimum Lease Payments	\$1,123,196

The lease contains a provision that in the event of default after the construction period, the lessor may, by written notice, request the School District to return possession of the project to the lessor and/or the lessor may take immediate possession of and remove any or all of the personal property constituting the Project. In the event of default, the School District must also reimburse the lessor for any expenses incurred by the lessor in connection with seeking enforcement of or collection of amounts due as part of the lease terms.

NOTE 17 - CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2019.

School Foundation

School District foundation funding is based on the annualized full-time equipment (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, the ODE adjustments for fiscal year 2019 resulted in a receivable from ODE in the amount of \$3,503.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 18 – TAX ABATEMENT AGREEMENT

The Village of Arcanum has entered into several Community Reinvestment Area (CRA) agreements. Under these agreements, the School District’s property taxes were reduced by \$11,521 during calendar year 2019.

NOTE 19 - COMPLIANCE

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

NOTE 20 – FUND BALANCE

Fund balance of the governmental funds is classified as non-spendable, restricted, committed, assigned, and/or unassigned based on the constraints imposed on the use of the resources. The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2019, were as follows:

Fund Balance	General	Bond Retirement	Multi- Purpose Building	Other Governmental Funds	Total
Restricted for:					
Bus Purchases	\$2,250				\$2,250
School Construction				\$589,026	589,026
Facilities Maintenance				634,444	634,444
Debt Retirement		\$1,064,891			1,064,891
School Library				6,036	6,036
Special Education				7,943	7,943
Food Service Operations				80,398	80,398
Extracurricular Activities				79,791	79,791
Local Grants				2,525	2,525
Total Restricted	<u>2,250</u>	<u>1,064,891</u>		<u>1,400,163</u>	<u>2,467,304</u>
Committed for:					
Multi-purpose Building			\$2,465,301		2,465,301
Preschool				256	256
Total Committed			<u>2,465,301</u>	<u>256</u>	<u>2,465,557</u>
Assigned for:					
Subsequent year appropriations	657,958				657,958
Unpaid Obligations	193,045				193,045
Uniform School Supplies	60,891				60,891
Educational Activities	38,123				38,123
Total Assigned	<u>950,017</u>				<u>950,017</u>
Unassigned	<u>4,493,549</u>			<u>0</u>	<u>4,493,549</u>
Total Fund Balance	<u>\$5,445,816</u>	<u>\$1,064,891</u>	<u>\$2,465,301</u>	<u>\$1,400,419</u>	<u>\$10,376,427</u>

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019
(Continued)

NOTE 21 – CONTRACTUAL COMMITMENTS

At June 30, 2019, the School District had the following purchase commitments:

<u>Vendor</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance At 06/30/19</u>
H.A. Dorsten, Inc.	Multi-Purpose Building	\$3,608,923	\$886,942	\$2,721,981

OHIO AUDITOR OF STATE KEITH FABER



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(937) 285-6677 or (800) 443-9274
WestRegion@ohioauditor.gov

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

Arcanum-Butler Local School District
Darke County
2011 Trojan Avenue
Arcanum, Ohio 45304

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, each major fund and the aggregate remaining fund information of the Arcanum-Butler Local School District, Darke County, (the School District) as of and for the fiscal years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 15, 2020, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the School District.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statement. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-001.

School District's Response to Finding

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

December 15, 2020

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2020-001

Noncompliance

Ohio Rev. Code § 117.38(A) provides, in part, that each public office other than a state agency, “shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.”

Ohio Admin. Code § 117-2-03(B) requires all school districts to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The School District prepared financial statements for the fiscal years ended June 30, 2020 and June 30, 2019 that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

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

Officials' Response:

On September 20, 2004, the Board of Education unanimously agreed to approve filing on OCBOA 34 (other comprehensive basis of accounting) cash basis year-end report beginning with the fiscal year 2004 filing period. Due to the continuous pressure to minimize cost under the current school funding system, the Board of Education has agreed that costs associated with generating and auditing the reports on a GAAP basis far exceeds the benefits received by filing GAAP financial reports.

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Arcanum-Butler Local Schools



Administration

Mr. John N. Stephens, Superintendent
 Mr. Kip M. Gray, Treasurer
 Mr. Jason R. Stephan, HS Principal
 Mr. Jason L. Vince, MS Principal
 Mrs. Joni L. Pechie, EL Principal

Board Members

Mr. Ed Everman, President
 Mr. Eric Moore, Vice President
 Mrs. Beverly Delk
 Mr. Kelly Norris
 Mr. Mark Trask

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2020 AND 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	ORC Section 117.38 and OAC Section 117-2-03(8) – The School District is required to prepare a GAAP report, but instead prepared a report in accordance with the cash accounting basis for fiscal years 2018 and 2017. This finding was first reported for fiscal years 2005 and 2004.	Not corrected	On September 20, 2004, the Board of Education unanimously agreed to approve filing on OCBOA 34 (other comprehensive basis of accounting) cash basis year-end report beginning with the fiscal year 2004 filing period. Due to the continuous pressure to minimize cost under the current school funding system, the Board of Education has agreed that costs associated with generating and auditing the reports on a GAAP basis far exceeds the benefits received by filing GAAP financial reports.

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 Arcanum OH 45304

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OHIO AUDITOR OF STATE KEITH FABER



ARCANUM-BUTLER LOCAL SCHOOL DISTRICT

DARKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 1/5/2021

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

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