

Batavia Local School District

Clermont County

Single Audit

July 1, 2007 through June 30, 2008

Fiscal Year Audited Under GAGAS: 2008



**Balestra, Harr & Scherer, CPAs, Inc.**

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528 South West St, P.O. Box 687, Piketon, Ohio 45661 Phone: 740.289.4131 Fax: 740.289.3639





Mary Taylor, CPA  
Auditor of State

Board of Education  
Batavia Local School District  
800 Bauer Ave  
Batavia, Ohio 45103

We have reviewed the *Independent Auditor's Report* of the Batavia Local School District, Clermont County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 27, 2009

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Batavia Local School District  
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BALESTRA, HARR & SCHERER, CPAs, INC.  
528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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Telephone (740) 289-4131  
Fax (740) 289-3639  
[www.bhscpas.com](http://www.bhscpas.com)

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

**Independent Auditor's Report**

Members of the Board  
Batavia Local School District  
800 Bauer Avenue  
Batavia, Ohio 45103

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Batavia Local School District (the School District), Clermont County, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

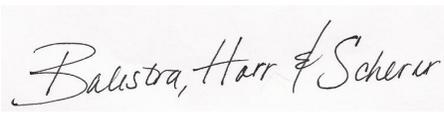
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2008, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2009 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Schedule for the General Fund are not required parts of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 15, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27* and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.  
March 27, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

This discussion and analysis provides key information from management highlighting the overall financial performance of the Batavia Local School District for the year ended June 30, 2008. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

### **Financial Highlights**

Major financial highlights for fiscal year 2008 are listed below:

- ✓ The assets of the School District exceeded its liabilities at year-end by \$6.2 million. However, \$3.6 million is invested in capital assets, net of related debt.
- ✓ In total, net assets decreased by approximately \$501,000.
- ✓ The School District had \$19.0 million in expenses related to governmental activities; only \$1.7 million of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$16.8 million, made up primarily of property taxes and State Foundation payments provided the majority of funding for these programs.
- ✓ The General Fund balance decreased by approximately \$752,000 from \$1,210,459 at June 30, 2007 to \$458,300 at June 30, 2008.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
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**Unaudited**

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

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

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

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

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

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

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

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

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

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

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

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

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

The following table presents a condensed summary of the School District's overall financial position at June 30, 2008 and 2007:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>FY08</u>	<u>FY07</u>	<u>FY08</u>	<u>FY07</u>	<u>FY08</u>	<u>FY07</u>
Current and other assets	\$ 12,297,543	13,034,834	408,414	397,734	12,705,957	13,432,568
Capital assets	<u>9,872,730</u>	<u>10,475,147</u>	<u>19,267</u>	<u>24,821</u>	<u>9,891,997</u>	<u>10,499,968</u>
Total assets	<u>22,170,273</u>	<u>23,509,981</u>	<u>427,681</u>	<u>422,555</u>	<u>22,597,954</u>	<u>23,932,536</u>
Long-term liabilities	8,093,866	8,417,087	6,120	6,373	8,099,986	8,423,460
Other liabilities	<u>8,176,399</u>	<u>8,705,280</u>	<u>71,579</u>	<u>53,063</u>	<u>8,247,978</u>	<u>8,758,343</u>
Total liabilities	<u>16,270,265</u>	<u>17,122,367</u>	<u>77,699</u>	<u>59,436</u>	<u>16,347,964</u>	<u>17,181,803</u>
Net assets:						
Invested in capital assets, net of debt	3,546,904	3,918,474	19,267	24,821	3,566,171	3,943,295
Restricted:						
For debt service	2,588,754	2,331,954	-	-	2,588,754	2,331,954
Other purposes	428,417	390,593	-	-	428,417	390,593
Unrestricted	<u>(664,067)</u>	<u>(253,407)</u>	<u>330,715</u>	<u>338,298</u>	<u>(333,352)</u>	<u>84,891</u>
Total net assets	\$ <u>5,900,008</u>	<u>6,387,614</u>	<u>349,982</u>	<u>363,119</u>	<u>6,249,990</u>	<u>6,750,733</u>

The decrease in current assets of the governmental activities is primarily related to decreases in cash and investments due to the decrease in net assets. Current year expenses exceeded revenues. Capital assets decreased due to current depreciation exceeding purchases of capital assets.

The decrease in Other Liabilities was primarily related to a decrease in unearned revenue of approximately \$605,000. The majority of taxes receivable are deferred since they are intended to fund the upcoming fiscal year. Thus, as taxes receivable decrease, generally deferred revenue will decrease as well. The decrease in long-term liabilities is due to the scheduled payments on outstanding general obligation bonds and lease-purchase agreements.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
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**B. Governmental and Business-type Activities during fiscal year 2008**

The following table presents a condensed summary of the School District's activities during fiscal year 2008 and 2007 and the resulting change in net assets:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>FY08</u>	<u>FY07</u>	<u>FY08</u>	<u>FY07</u>	<u>FY08</u>	<u>FY07</u>
<b>Revenues:</b>						
Program revenues:						
Charges for services and sales	\$ 711,273	567,138	446,740	468,073	1,158,013	1,035,211
Operating grants and contributions	991,891	955,104	503,453	417,261	1,495,344	1,372,365
Capital grants and contributions	9,666	34,983	-	-	9,666	34,983
Total program revenues	<u>1,712,830</u>	<u>1,557,225</u>	<u>950,193</u>	<u>885,334</u>	<u>2,663,023</u>	<u>2,442,559</u>
General revenues:						
Property taxes	7,736,620	7,076,264	-	-	7,736,620	7,076,264
Grants and entitlements	8,754,304	8,445,413	-	-	8,754,304	8,445,413
Investment earnings	227,246	302,230	-	-	227,246	302,230
Miscellaneous	79,975	115,218	-	-	79,975	115,218
Total general revenues	<u>16,798,145</u>	<u>15,939,125</u>	<u>-</u>	<u>-</u>	<u>16,798,145</u>	<u>15,939,125</u>
<b>Total revenues</b>	<u>18,510,975</u>	<u>17,496,350</u>	<u>950,193</u>	<u>885,334</u>	<u>19,461,168</u>	<u>18,381,684</u>
<b>Expenses:</b>						
Instruction	11,538,756	10,708,024	-	-	11,538,756	10,708,024
Support services:						
Pupil	513,559	450,724	-	-	513,559	450,724
Instructional staff	658,558	506,666	-	-	658,558	506,666
Board of Education	110,625	66,129	-	-	110,625	66,129
Administration	1,507,797	1,514,875	-	-	1,507,797	1,514,875
Fiscal	418,004	467,584	-	-	418,004	467,584
Operation and maintenance of plant	1,701,800	1,364,090	-	-	1,701,800	1,364,090
Pupil transportation	1,505,962	1,259,413	-	-	1,505,962	1,259,413
Central	16,709	7,171	-	-	16,709	7,171
Non-instructional services	501,730	468,614	-	-	501,730	468,614
Interest and fiscal charges	525,081	607,439	-	-	525,081	607,439
Food services	-	-	825,908	713,286	825,908	713,286
Uniform school supplies	-	-	137,422	111,577	137,422	111,577
<b>Total expenses</b>	<u>18,998,581</u>	<u>17,420,729</u>	<u>963,330</u>	<u>824,863</u>	<u>19,961,911</u>	<u>18,245,592</u>
<b>Change in net assets</b>	\$ <u>(487,606)</u>	<u>75,621</u>	<u>(13,137)</u>	<u>60,471</u>	<u>(500,743)</u>	<u>136,092</u>

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
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Of the total governmental activities revenues of \$18,510,975, \$1,712,830 (9%) is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, 46% (\$7,736,620) comes from property tax levies and 52% (\$8,754,304) is from state funding. The School District's operations are reliant upon its property tax levy and the state's foundation program.

The primary reason for the increase in property taxes was from the reappraisal values of property in Clermont County. Entitlement revenue increased due to State of Ohio payments for reimbursement for tangible personal property and electric deregulation payments. Total expenses increased about 10% with the majority of the increase in the instruction, operation and maintenance of plant and pupil transportation functions due to hiring of new teachers and increases in teacher salaries, health care costs, utility costs and fuel costs.

***Governmental Activities***

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 9% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$11,538,756 but program revenue contributed to fund 14% of those costs. Thus, general revenues of \$9,978,417 were used to support of remainder of the instruction costs.

The School District's governmental activities net assets decreased by \$487,606.

<b>Governmental Activities</b>				
	<b>Total Cost of Services</b>	<b>Program Revenue</b>	<b>Revenues as a % of Total Costs</b>	<b>Net Cost of Services</b>
Instruction	\$ 11,538,756	1,560,339	14%	9,978,417
Support services	6,433,014	28,537	0%	6,404,477
Non-instructional services	501,730	123,954	25%	377,776
Interest and fiscal charges	525,081	-	0%	525,081
<b>Total</b>	<b>\$ 18,998,581</b>	<b>1,712,830</b>	<b>9%</b>	<b>17,285,751</b>

***Business-type Activities***

Net assets of the business-type activities decreased by \$13,137 primarily due to normal operations.

The following table presents the total cost of each of the School District's business segments and the net cost after deducting the revenues generated by each segment. Charges and operating grants paid for 101% of the costs of Food Services.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Management's Discussion and Analysis**  
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**Unaudited**

	<b>Business-type Activities</b>			
	<b>Total Cost of Services</b>	<b>Program Revenue</b>	<b>Revenues as a % of Total Costs</b>	<b>Net Cost (Revenue) of Services</b>
Food services	\$ 825,908	830,152	101%	(4,244)
School supplies	137,422	120,041	87%	17,381
<b>Total</b>	<b>\$ 963,330</b>	<b>950,193</b>	<b>99%</b>	<b>13,137</b>

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

**Governmental funds**

The School District has two major governmental funds: the General Fund and Debt Service Fund. Assets of these two funds comprise \$11,634,619 (95%) of the total \$12,297,543 governmental funds assets.

**General Fund.** Fund balance at June 30, 2008 was \$458,300, with an unreserved fund balance of (\$985,728). The primary reason for the decrease in fund balance of \$752,159 was due to the conditions noted above under governmental activities.

**Debt Service Fund.** Fund balance at June 30, 2008 was \$2,548,597. The Debt Service Fund is used to accumulate resources to pay general obligation bonds. The increase in fund balance of \$209,090 is the result of tax revenues exceeding the annual required debt service payments. The remaining outstanding general obligation bonds will be paid over the next fifteen years.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The schedule comparing the School District's original and final budgets and actual results is included in the required supplementary information. The final budget for tax revenues was decreased by \$1 million due to actual collections being less than originally budgeted. The School District received \$810,000 more in intergovernmental revenues than budgeted, due to conservative estimates used for tangible personal property tax loss reimbursements and electric deregulation payments.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets**

At June 30, 2008, the School District had \$9,891,997 invested in a broad range of capital assets, including land, buildings, equipment and vehicles. See Note 4 to the financial statements for more detail.

**BATAVIA LOCAL SCHOOL DISTRICT**  
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**Capital Assets at Year-End**  
**(Net of Depreciation)**

		<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
		<u>FY08</u>	<u>FY07</u>	<u>FY08</u>	<u>FY07</u>	<u>FY08</u>	<u>FY07</u>
Land	\$	1,230,447	1,230,447	-	-	1,230,447	1,230,447
Land improvements		1,108,669	1,243,360	-	-	1,108,669	1,243,360
Buildings and improvements		6,847,501	7,211,727	-	-	6,847,501	7,211,727
Equipment and furniture		92,288	95,112	19,267	24,821	111,555	119,933
Vehicles		593,825	694,501	-	-	593,825	694,501
Total	\$	<u>9,872,730</u>	<u>10,475,147</u>	<u>19,267</u>	<u>24,821</u>	<u>9,891,997</u>	<u>10,499,968</u>

**Debt**

The School District paid the required scheduled principal payment of \$109,013 on its general obligation school improvement bonds during the fiscal year. The total general obligation bonds outstanding at year-end were \$5,608,773 with \$95,141 due within one year. The School District's general obligation bonds mature December 1, 2022. See Note 9 to the financial statements.

**ECONOMIC FACTORS**

A challenge facing the School District is the future of state funds. On December 11, 2002, the Court found the state's school funding system unconstitutional but declined to retain jurisdiction of the matter meaning the decision included no timeline for compliance or accountability for lack of compliance. The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

The passage of the State of Ohio's biennial budget bill (HB66) revised the tax law accelerating the phase out of tangible personal property tax. However, it included a hold harmless provision that will reimburse the School District within the first years (2006-2010) of cost revenue phasing out the reimbursement in the (7) subsequent years 2011-2017.

The School District is continuing to project increases in enrollment. The School District began open enrollment in the school year 2006-2007. Further, the School District began receiving payments on the five large residential developments with tax increment financing.

Another factor facing the School District is the rising cost of health benefits. The School District has projected an increase of 10% in the next year. Other factors include cost of gas to heat the buildings and the cost of fuel for school buses to transport students.

**BATAVIA LOCAL SCHOOL DISTRICT**  
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Many non-controllable factors will determine the financial future of the School District such as the stability of the economy, inflation, enrollment projections and the impact of the federal and state legislation, "No Child Left Behind", and the State's ability to maintain or increase educational funding.

**REQUESTS FOR ADDITIONAL INFORMATION**

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

## BATAVIA LOCAL SCHOOL DISTRICT

### Statement of Net Assets

June 30, 2008

	Governmental	Business-Type	Total
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in pooled cash and investments	\$ 4,627,050	396,395	5,023,445
Receivables:			
Taxes	7,545,680	-	7,545,680
Accounts	4,497	3,226	7,723
Intergovernmental	41,709	-	41,709
Supplies inventory	-	8,793	8,793
Restricted cash and investments	78,607	-	78,607
Nondepreciable capital assets	1,230,447	-	1,230,447
Depreciable capital assets, net	8,642,283	19,267	8,661,550
<b>Total assets</b>	<u>22,170,273</u>	<u>427,681</u>	<u>22,597,954</u>
<b>Liabilities:</b>			
Accounts payable	2,039	-	2,039
Accrued wages and benefits	1,488,422	59,113	1,547,535
Intergovernmental payable	370,412	12,466	382,878
Unearned revenue	6,291,689	-	6,291,689
Accrued interest payable	23,837	-	23,837
Noncurrent liabilities:			
Due within one year	657,536	-	657,536
Due within more than one year	7,436,330	6,120	7,442,450
<b>Total liabilities</b>	<u>16,270,265</u>	<u>77,699</u>	<u>16,347,964</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	3,546,904	19,267	3,566,171
Restricted for:			
Debt service	2,588,754	-	2,588,754
Other purposes	428,417	-	428,417
Unrestricted	<u>(664,067)</u>	<u>330,715</u>	<u>(333,352)</u>
<b>Total net assets</b>	<u>\$ 5,900,008</u>	<u>349,982</u>	<u>6,249,990</u>

See accompanying notes to the basic financial statements.

**BATAVIA LOCAL SCHOOL DISTRICT**

Statement of Activities

Year Ended June 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
Instruction:							
Regular	\$ 8,219,391	587,319	57,039	-	\$ (7,575,033)	-	(7,575,033)
Special education	3,201,179	-	915,981	-	(2,285,198)	-	(2,285,198)
Other instruction	118,186	-	-	-	(118,186)	-	(118,186)
Support services:							
Pupil	513,559	-	-	-	(513,559)	-	(513,559)
Instructional staff	658,558	-	2,970	-	(655,588)	-	(655,588)
Board of Education	110,625	-	-	-	(110,625)	-	(110,625)
Administration	1,507,797	-	-	-	(1,507,797)	-	(1,507,797)
Fiscal	418,004	-	-	-	(418,004)	-	(418,004)
Operation and maintenance of plant	1,701,800	-	9,000	-	(1,692,800)	-	(1,692,800)
Pupil transportation	1,505,962	-	-	9,666	(1,496,296)	-	(1,496,296)
Central	16,709	-	6,901	-	(9,808)	-	(9,808)
Non-instructional services:							
Extracurricular activities	501,730	123,954	-	-	(377,776)	-	(377,776)
Interest on long-term debt	525,081	-	-	-	(525,081)	-	(525,081)
Total Governmental Activities	<u>18,998,581</u>	<u>711,273</u>	<u>991,891</u>	<u>9,666</u>	<u>(17,285,751)</u>	<u>-</u>	<u>(17,285,751)</u>
<b>Business-Type Activities:</b>							
Food Service	825,908	326,699	503,453	-	-	4,244	4,244
Uniform School Supplies	137,422	120,041	-	-	-	(17,381)	(17,381)
Total Business-Type Activities	<u>963,330</u>	<u>446,740</u>	<u>503,453</u>	<u>-</u>	<u>-</u>	<u>(13,137)</u>	<u>(13,137)</u>
	\$ <u>19,961,911</u>	<u>1,158,013</u>	<u>1,495,344</u>	<u>9,666</u>	<u>(17,285,751)</u>	<u>(13,137)</u>	<u>(17,298,888)</u>
<b>General Revenues:</b>							
Property taxes, levied for general purposes					6,862,788	-	6,862,788
Property taxes, levied for debt services					873,832	-	873,832
Grants and entitlements not restricted to specific programs					8,754,304	-	8,754,304
Investment earnings					227,246	-	227,246
Miscellaneous					79,975	-	79,975
Total general revenues					<u>16,798,145</u>	<u>-</u>	<u>16,798,145</u>
Change in net assets					(487,606)	(13,137)	(500,743)
Net assets beginning of year, restated					<u>6,387,614</u>	<u>363,119</u>	<u>6,750,733</u>
Net assets end of year					\$ <u>5,900,008</u>	<u>349,982</u>	<u>6,249,990</u>

See accompanying notes to the basic financial statements.

# BATAVIA LOCAL SCHOOL DISTRICT

Balance Sheet  
 Governmental Funds  
 June 30, 2008

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in pooled cash and investments	\$ 1,552,038	2,457,697	617,315	4,627,050
Restricted cash and investments	78,607	-	-	78,607
Receivables:				
Taxes	6,648,686	896,994	-	7,545,680
Accounts	597	-	3,900	4,497
Intergovernmental	-	-	41,709	41,709
<b>Total assets</b>	<u>8,279,928</u>	<u>3,354,691</u>	<u>662,924</u>	<u>12,297,543</u>
<b>Liabilities:</b>				
Accounts payable	2,039	-	-	2,039
Accrued wages and benefits	1,428,546	-	59,876	1,488,422
Intergovernmental payable	365,259	-	5,153	370,412
Compensated absences payable	64,598	-	-	64,598
Deferred revenue	5,961,186	806,094	41,709	6,808,989
<b>Total liabilities</b>	<u>7,821,628</u>	<u>806,094</u>	<u>106,738</u>	<u>8,734,460</u>
<b>Fund Balances:</b>				
Reserved for:				
Encumbrances	677,921	-	60,357	738,278
Budget stabilization	78,607	-	-	78,607
Property taxes	687,500	90,900	-	778,400
Unreserved, reported in:				
General Fund	(985,728)	-	-	(985,728)
Debt Service Fund	-	2,457,697	-	2,457,697
Special Revenue Funds	-	-	411,449	411,449
Capital Projects Funds	-	-	84,380	84,380
<b>Total fund balances</b>	<u>458,300</u>	<u>2,548,597</u>	<u>556,186</u>	<u>3,563,083</u>
<b>Total liabilities and fund balances</b>	<u>\$ 8,279,928</u>	<u>3,354,691</u>	<u>662,924</u>	<u>12,297,543</u>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2008

<b>Total Governmental Fund Balances</b>	\$	3,563,083
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		9,872,730
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds.		517,300
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	5,608,773	
Accreted interest on bonds	1,070,702	
Compensated absences	632,740	
Lease-purchase agreement	717,053	
Accrued interest payable	<u>23,837</u>	
Total		(8,053,105)
 Net Assets of Governmental Activities	 \$	 <u><u>5,900,008</u></u>

## BATAVIA LOCAL SCHOOL DISTRICT

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

#### Governmental Funds

Year Ended June 30, 2008

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 6,561,998	826,586	-	7,388,584
Tuition and fees	587,319	-	-	587,319
Interest	226,997	-	249	227,246
Intergovernmental	8,687,384	76,586	981,227	9,745,197
Other local revenues	29,590	-	174,339	203,929
<b>Total revenues</b>	<u>16,093,288</u>	<u>903,172</u>	<u>1,155,815</u>	<u>18,152,275</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	7,761,653	-	60,134	7,821,787
Special education	2,328,289	-	875,583	3,203,872
Other instruction	118,309	-	-	118,309
Support services:				
Pupil	514,646	-	-	514,646
Instructional staff	638,719	-	10,073	648,792
Board of Education	110,625	-	-	110,625
Administration	1,501,137	-	18,678	1,519,815
Fiscal	424,612	-	-	424,612
Operation and maintenance of plant	1,513,423	-	9,000	1,522,423
Pupil transportation	1,337,733	-	-	1,337,733
Central	8,023	-	8,686	16,709
Non-instructional services:				
Extracurricular activities	287,693	-	134,287	421,980
Capital outlay	58,238	-	183,124	241,362
Debt Service:				
Principal	121,835	109,013	-	230,848
Interest and fiscal charges	20,012	585,069	-	605,081
<b>Total expenditures</b>	<u>16,744,947</u>	<u>694,082</u>	<u>1,299,565</u>	<u>18,738,594</u>
Excess of revenues over (under) expenditures	<u>(651,659)</u>	<u>209,090</u>	<u>(143,750)</u>	<u>(586,319)</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	100,500	100,500
Transfers out	(100,500)	-	-	(100,500)
<b>Total other financing sources (uses):</b>	<u>(100,500)</u>	<u>-</u>	<u>100,500</u>	<u>-</u>
Net change in fund balance	(752,159)	209,090	(43,250)	(586,319)
Fund balance, beginning of year	<u>1,210,459</u>	<u>2,339,507</u>	<u>599,436</u>	<u>4,149,402</u>
Fund balance, end of year	<u>\$ 458,300</u>	<u>2,548,597</u>	<u>556,186</u>	<u>3,563,083</u>

See accompanying notes to the basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
Year Ended June 30, 2008

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	(586,319)
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Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay		79,970
Depreciation expense		(682,387)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		109,013
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Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		121,835
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In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		80,000
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Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		31,583
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Revenues in the statement of activities that do not provide current financial current financial resources are not reported as revenues in the funds.		<u>358,699</u>
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Change in Net Assets of Governmental Activities	\$	<u><u>(487,606)</u></u>
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# BATAVIA LOCAL SCHOOL DISTRICT

## Statement of Net Assets

### Proprietary Funds

June 30, 2008

	<u>Nonmajor Enterprise Funds</u>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 396,395
Receivables:	
Accounts	3,226
Supplies inventory	<u>8,793</u>
Total current assets	<u>408,414</u>
Noncurrent assets:	
Capital assets, net	<u>19,267</u>
<b>Total assets</b>	<u>427,681</u>
<b>Liabilities:</b>	
Current liabilities:	
Accrued wages	59,113
Intergovernmental payable	<u>12,466</u>
Total current liabilities	<u>71,579</u>
Noncurrent liabilities:	
Compensated absences	<u>6,120</u>
<b>Total liabilities</b>	<u>77,699</u>
<b>Net Assets:</b>	
Invested in capital assets	19,267
Unrestricted	<u>330,715</u>
<b>Total net assets</b>	<u>\$ 349,982</u>

See accompanying notes to the basic financial statements.

**BATAVIA LOCAL SCHOOL DISTRICT**  
Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds  
Year Ended June 30, 2008

	Nonmajor Enterprise Funds
	<u>          </u>
<b>Operating revenues:</b>	
Charges for services	\$ <u>446,740</u>
<b>Total operating revenues</b>	<u>446,740</u>
<b>Operating expenses:</b>	
Salaries and wages	233,763
Fringe benefits	156,208
Contractual services	16,298
Materials and supplies	551,507
Depreciation	<u>5,554</u>
<b>Total operating expenses</b>	<u>963,330</u>
Operating loss	(516,590)
<b>Nonoperating revenues:</b>	
Federal and state grants	482,559
Interest income	<u>20,894</u>
<b>Total nonoperating revenues</b>	<u>503,453</u>
Net loss	(13,137)
Net assets, beginning of year	<u>363,119</u>
Net assets, end of year	\$ <u><u>349,982</u></u>

See accompanying notes to the basic financial statements.

# BATAVIA LOCAL SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2008

	Nonmajor Enterprise Funds
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 447,455
Cash payments for personal services	(370,543)
Cash payments for contract services	(16,298)
Cash payments for supplies and materials	(433,641)
Net cash used by operating activities	<u>(373,027)</u>
<b>Cash flows from noncapital financing activities:</b>	
Cash received from federal and state grants	<u>368,461</u>
<b>Cash flows from investing activities:</b>	
Investment income	<u>20,894</u>
Net increase in cash and cash equivalents	16,328
Cash and cash equivalents at beginning of year	<u>380,067</u>
Cash and cash equivalents at end of year	\$ <u><u>396,395</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	(516,590)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	5,554
Donated commodities used	114,098
Changes in assets and liabilities:	
Accounts receivable	715
Accounts payable	(1,165)
Supplies inventory	4,933
Accrued wages and benefits	20,447
Intergovernmental payable	(766)
Compensated absences payable	<u>(253)</u>
Net cash used by operating activities	\$ <u><u>(373,027)</u></u>

See accompanying notes to the basic financial statements.

**BATAVIA LOCAL SCHOOL DISTRICT**

Statement of Net Assets

Fiduciary Funds

June 30, 2008

	Private Purpose Trusts	Agency Funds
<b>ASSETS</b>		
Equity in pooled cash and cash equivalents	\$ 8,529	38,291
Total assets	<u>8,529</u>	<u>38,291</u>
<b>LIABILITIES</b>		
Due to student groups	-	38,291
Total liabilities	<u>-</u>	<u>38,291</u>
<b>NET ASSETS</b>		
Held in trust	\$ <u>8,529</u>	

See accompanying notes to the basic financial statements.

**BATAVIA LOCAL SCHOOL DISTRICT**

Statement of Changes in Net Assets

Fiduciary Funds

Year Ended June 30, 2008

	<u>Private Purpose Trusts</u>
<b>Additions:</b>	
Contributions	\$ <u>-</u>
Total additions	<u>-</u>
<b>Deductions:</b>	
Community gifts, awards and scholarships	<u>-</u>
Total deductions	<u>-</u>
Change in net assets	-
Net assets, beginning of year	<u>8,529</u>
Net assets, end of year	\$ <u><u>8,529</u></u>

See accompanying notes to the basic financial statements.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2008**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Batavia Local School District (the "School District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent they do not conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The School District has elected not to follow subsequent private-sector guidance. The more significant of the School District's accounting policies are described below.

**A. Reporting Entity**

The School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally elected Board of Education (five members) and is responsible for the education of the residents of the School District. The Board controls the School District's four instructional support facilities providing education to approximately 1,800 students.

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

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

The School District is associated with four organizations, two of which are defined as jointly governed organizations and two are insurance purchasing pools. These organizations include Hamilton Clermont Cooperative Association, the Great Oaks Institute of Technology and Career Development, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Clermont County Health Trust. These organizations are presented in Notes 11 and 12 to the basic financial statements.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2008**

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**B. Basis of Presentation**

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

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

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

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

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

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

## BATAVIA LOCAL SCHOOL DISTRICT

### Notes to the Basic Financial Statements

Year Ended June 30, 2008

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

#### C. Fund Accounting

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

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

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

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

**Proprietary funds** are used to account for the School District's ongoing activities that are similar to those found in the private sector where the intent of the governing body is that the cost of providing goods and services to the general public be financed or recovered primarily through user charges. The School District has no major proprietary funds.

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

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2008**

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**D. Basis of Accounting**

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

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

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

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

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

***Deferred Revenue*** Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes measurable as of June 30, 2008, which are intended to finance fiscal year 2009 operations, have been recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2008**

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**E. Budgetary Process**

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

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

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

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

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

## BATAVIA LOCAL SCHOOL DISTRICT

### Notes to the Basic Financial Statements

Year Ended June 30, 2008

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

***Encumbrances*** As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

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

#### F. **Cash and Cash Equivalents**

To improve cash management, all cash received by the School District is pooled in central bank accounts. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. During fiscal year 2008, the School District's investments were limited to certificates of deposit.

The Governmental Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", requires that investments be recorded at their fair value and that changes in the fair value be reported in the operating statement. At June 30, 2008, the fair value of investments approximates cost.

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

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

**BATAVIA LOCAL SCHOOL DISTRICT**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2008**

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**G. Inventory**

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

**H. Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type columns in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$1,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

Buildings	50 years
Land improvements	15 years
Building improvements	20 years
Equipment and furniture other than vehicles	3-20 years
Vehicles	10 years

**I. Compensated Absences**

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

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

**BATAVIA LOCAL SCHOOL DISTRICT**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2008**

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

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

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

**K. Fund Balance Reserves**

The School District records reservations for portions of fund equity that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicate that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for encumbrances, budget reserve set-asides and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statutes. The reserve for budget stabilization represents money set-aside to protect against cyclical changes in revenues and expenditures.

**L. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. A corresponding fund balance reserve has also been established.

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School District had no net assets restricted by enabling legislation at year-end.

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

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2008**

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**N. Estimates**

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

**2. DEPOSITS**

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

## BATAVIA LOCAL SCHOOL DISTRICT

### Notes to the Basic Financial Statements

Year Ended June 30, 2008

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3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

#### Deposits

##### ***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a custodial credit risk policy. However, protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the financial institution holding the deposits. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific financial institution. At year-end, the School District's bank balance of \$5,258,532 was either covered by FDIC or collateralized in the manner described above.

**BATAVIA LOCAL SCHOOL DISTRICT**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2008**

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**3. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88% of true value (with certain exceptions) and on real property at 35% of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. In prior years, tangible personal property was assessed at 25% of true value for capital assets and 23% of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property, including inventory, for 2006 was 18.75%. This was reduced to 12.5% for 2007, 6.25% for 2008, and zero for 2009.

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. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with balance payable by September 20.

The School District receives property taxes from the Clermont County Auditor, who periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2008 are available to finance fiscal year 2008 operations. Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2008. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2008, was \$687,500 in the General Fund and \$90,900 in the Debt Service Fund. The assessed values upon which fiscal year 2008 taxes were collected are:

Agricultural/Residential and Other Real Estate	\$	206,544,870	92.28%
Public Utility		6,724,630	3.00%
Tangible Personal Property		<u>10,566,179</u>	4.72%
Total Assessed Value	\$	<u>223,835,679</u>	100.00%
Tax rate per \$1,000 of assessed valuation		\$51.60	

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2008**

**4. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance 7/1/07	Additions	Disposals	Balance 6/30/08
<b>Governmental Activities</b>				
<b>Nondepreciable:</b>				
Land	\$ 1,230,447	-	-	1,230,447
<b>Depreciable:</b>				
Land improvements	2,936,525	-	-	2,936,525
Buildings and improvements	13,499,491	-	-	13,499,491
Equipment and furniture	690,027	12,705	(15,398)	687,334
Vehicles	1,890,391	67,265	-	1,957,656
Subtotal	<u>19,016,434</u>	<u>79,970</u>	<u>(15,398)</u>	<u>19,081,006</u>
Totals at historical cost	<u>20,246,881</u>	<u>79,970</u>	<u>(15,398)</u>	<u>20,311,453</u>
Less accumulated depreciation:				
Land improvements	1,693,165	134,691	-	1,827,856
Buildings and improvements	6,287,764	364,226	-	6,651,990
Equipment and furniture	594,915	15,529	(15,398)	595,046
Vehicles	<u>1,195,890</u>	<u>167,941</u>	<u>-</u>	<u>1,363,831</u>
Total accumulated depreciation	<u>9,771,734</u>	<u>682,387</u>	<u>(15,398)</u>	<u>10,438,723</u>
Capital assets, net	<u>\$ 10,475,147</u>	<u>(602,417)</u>	<u>-</u>	<u>9,872,730</u>

Depreciation expense was charged to functions as follows:

Instruction:	
Regular	\$ 414,603
Support services:	
Instructional staff	1,064
Operation and maintenance of plant	19,096
Pupil transportation	167,941
Extracurricular activities	<u>79,683</u>
Total depreciation expense	<u>\$ 682,387</u>

**BATAVIA LOCAL SCHOOL DISTRICT****Notes to the Basic Financial Statements****Year Ended June 30, 2008**

	Balance 7/1/07	Additions	Disposals	Balance 6/30/08
<b><i>Business-type Activities:</i></b>				
Furniture and equipment	\$ 130,641	-	-	130,641
Less accumulated depreciation	105,820	5,554	-	111,374
Capital assets, net	\$ 24,821	(5,554)	-	19,267

Depreciation expense of \$5,554 was charged to the food services segment.

**5. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the School District contracted with commercial carriers for property and fleet insurance, liability insurance and inland marine coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage in the last year.

For fiscal year 2008, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (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 percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement 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 Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

For fiscal year 2008, the School District participated in the Clermont County Health Trust (the Trust), a group insurance purchasing pool (Note 12), in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Trustee provides insurance policies in whole or in part through one or more group insurance policies.

# **BATAVIA LOCAL SCHOOL DISTRICT**

## **Notes to the Basic Financial Statements**

**Year Ended June 30, 2008**

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### **6. PENSION PLANS**

#### **School Employees Retirement System**

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting SERS Ohio, 300 E. Broad St., Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocated the current employer contribution rate among the four funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending 2008, it was determined the employer contribution rate to pension and death benefits to be 9.16%. The remaining 4.84% of the 14% employer contribution rate was allocated to the Health Care and Medicare B Funds. The School District's required contributions to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$322,000, \$283,000, and \$258,000, respectively. Approximately 42% has been contributed for fiscal year 2008 and 100% for the fiscal years 2007 and 2006. The current portion of the unpaid contribution for fiscal year 2008 is recorded as a liability within the financial statements.

#### **State Teachers Retirement System**

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a statewide cost-sharing, multiple-employer public employee retirement system for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. The State Teachers Retirement System of Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3771.

## **BATAVIA LOCAL SCHOOL DISTRICT**

### **Notes to the Basic Financial Statements**

**Year Ended June 30, 2008**

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New members have a choice of three retirement plans options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Member contributions under the Combined Plan are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

## **BATAVIA LOCAL SCHOOL DISTRICT**

### **Notes to the Basic Financial Statements**

**Year Ended June 30, 2008**

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A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contribution with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Contribution rates and the contributions actually made for the fiscal year ended June 30, 2008, were 10% of covered payroll for members and 14% for employers. The School District's required contributions to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,064,000, \$957,000, and \$935,000, respectively. Approximately 85% has been contributed for fiscal year 2008 and 100% for the fiscal years 2007 and 2006. The unpaid contribution for fiscal year 2008 is recorded as a liability in the respective funds.

### **Social Security System**

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

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2008**

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**7. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the STRS Ohio, and to retired non-certified employees and their dependents through the SERS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by state statute and are funded on a pay-as-you-go basis.

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan. Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, 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. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The 14% employer contribution rate is the maximum rate established under Ohio law. The School District's required contributions for post-employment health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$76,000, \$68,000, and \$67,000, respectively.

In addition to the cost-sharing, multiple-employer defined benefit pension plan, the SERS Ohio administers two postemployment benefit plans:

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in the Revised Code 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS Ohio. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2008 was \$96.40, SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B fund. For fiscal year 2008, the actuarially required allocation was .66%. The School District's contributions for the years ended June 30, 2008, was \$15,000 which equaled the required contribution.

## **BATAVIA LOCAL SCHOOL DISTRICT**

### **Notes to the Basic Financial Statements**

**Year Ended June 30, 2008**

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The Revised Code 3309.375 and 3309.69 permit SERS Ohio to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS Ohio offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS Ohio employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Revised Code provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans. The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2008, the health care allocation was 4.18%. The actuarially required contribution (ARC) as of the June 30, 2008 annual valuation is 13.41% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The School District contributions to the health care fund for the years ended June 30, 2008, 2007, and 2006 were \$96,000, \$67,000, and \$63,000, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800.

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.

## **8. EMPLOYEE BENEFITS**

### **Compensated Absences**

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. All employees earn sick leave at the rate of 1.25 days per month. Sick leave may be accumulated up to maximum of 256 days for teachers, 235 days for classified staff and unlimited days for administrators. Upon retirement, payment is made for 25% of the employee's accumulated sick leave up to a maximum of 66 days for teachers and administrators, and 60 day for classified employees.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2008**

**9. LONG-TERM OBLIGATIONS**

Long-term liability activity for the year ended June 30, 2008 was as follows:

	Outstanding 7/1/07	Additions	Reductions	Outstanding 6/30/08	Due in One Year
<b><i>Governmental Activities:</i></b>					
General obligation bonds	\$ 5,717,786	-	(109,013)	5,608,773	95,141
Accreted interest on bonds	1,150,238	201,451	(280,987)	1,070,702	294,859
Lease-purchase agreements	834,722	-	(117,669)	717,053	112,851
Capital lease payable	4,166	-	(4,166)	-	-
Compensated absences	710,176	127,384	(140,222)	697,338	154,685
<b>Total</b>	<b>8,417,088</b>	<b>328,835</b>	<b>(652,057)</b>	<b>8,093,866</b>	<b>657,536</b>
<b><i>Business-type Activities:</i></b>					
Compensated absences	\$ 6,373	110	(363)	6,120	-

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

In 2003 and 2005, the School District entered into lease-purchase agreements for the purchase of buses and equipment, respectively. The School District is leasing the buses and equipment from Rickenbacker Port Authority which assigned U.S. Bank as trustee and transferred rights, title and interest in the buses and equipment to the trustee. The School District is required to make monthly payments with interest at a variable interest rate based on the TBMA Index. The leases are renewable annually and expire in 2013 and 2010, respectively. The School District intends to renew the lease annually. Payments will be made from the General Fund.

In 2006, the School District entered into a lease-purchase agreement for the purchase of equipment for the middle school. The School District is leasing equipment from the National City Commercial Capital Corporation. The School District is required to make monthly payments with interest at 5.15%. The lease is renewable annually and expires in 2009. The School District intends to renew the lease annually. Payments will be made from the General Fund.

Capital assets acquired by these lease-purchase agreements have been capitalized in the amount of \$1,158,000 which is equal to the present value of the future minimum lease payments at the time of the acquisition. A corresponding liability was recorded for the lease-purchase agreements.

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

**BATAVIA LOCAL SCHOOL DISTRICT****Notes to the Basic Financial Statements****Year Ended June 30, 2008**

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2008 are as follows:

Fiscal Year Ending June 30,		Principal	Interest	Total
2009	\$	95,141	589,610	684,751
2010		84,250	605,500	689,750
2011		72,967	616,782	689,749
2012		62,486	622,264	684,750
2013		53,929	630,821	684,750
2014-2018		2,265,000	1,169,015	3,434,015
2019-2023		2,975,000	437,485	3,412,485
Total	\$	<u>5,608,773</u>	<u>4,671,477</u>	<u>10,280,250</u>

The following is a schedule of future minimum lease payments required under the lease-purchase agreements and the present value of the minimum lease payments as of June 30, 2008:

Fiscal Year Ending June 30,		
2009	\$	126,952
2010		75,667
2011		70,250
2012		69,050
2013		<u>427,850</u>
Total		769,769
Less amount representing interest		<u>(52,716)</u>
Present value of minimum lease payments	\$	<u><u>717,053</u></u>

**10. CAPITAL LEASE PAYABLE**

The School District was obligated under certain leases accounted for as capital leases which were paid in full during fiscal year 2008. The cost of equipment acquired by capital leases was \$109,000.

**11. JOINTLY GOVERNED ORGANIZATIONS***The Hamilton Clermont Cooperative Association*

The School District is a participant in a two-county consortium of school districts that operate the Hamilton/Clermont Cooperative Association (H/CCA). H/CCA is an association of public districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Board of H/CCA consists of one representative from each of the participating members. The School District paid approximately \$35,000 for services provided during the fiscal year. Complete financial statements for H/CCA can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati 45231.

## **BATAVIA LOCAL SCHOOL DISTRICT**

### **Notes to the Basic Financial Statements**

**Year Ended June 30, 2008**

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#### *The Great Oaks Institute of Technology and Career Development*

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

## **12. INSURANCE PURCHASING POOLS**

#### *Ohio School Boards Association Workers' Compensation Group Rating Plan*

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

#### *The Clermont County Health Trust*

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

**BATAVIA LOCAL SCHOOL DISTRICT**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2008**

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**13. CONTINGENCIES**

**Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, 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, 2008.

**Litigation**

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

**14. TRANSFERS**

The General Fund transferred \$100,500 to Other Governmental Funds to provide operating capital.

**15. REQUIRED SET-ASIDES**

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

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

		<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside balance as of June 30, 2007	\$	(130,831)	-	78,607
Current year set-aside requirement		298,429	298,429	-
Less qualifying disbursements and offsets		<u>(397,585)</u>	<u>(966,557)</u>	<u>-</u>
Total		<u>(229,987)</u>	<u>(668,128)</u>	<u>78,607</u>
Balance carried to FY2009		<u>(229,987)</u>	<u>-</u>	<u>78,607</u>
Cash balance as of June 30, 2008	\$	<u>-</u>	<u>-</u>	<u>78,607</u>

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2008**

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Since the School District had offsets and qualifying disbursements during the year that reduced the set aside amount for textbooks and instructional materials to below zero, these extra amounts may be used to reduce the set aside requirements of future years. However, the excess qualifying disbursements of the capital improvement set-aside may not be used to reduce the capital improvement set aside requirements of future years.

**16. CHANGES IN ACCOUNTING PRINCIPLE**

For the year ended June 30, 2008, the School District implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and Statement No. 50, *Pension Disclosures*. These statements addresses how state and local governments should account and disclose their costs and obligations related to pension plans, postemployment healthcare and other non-pension benefits. The implementation had no effect to the School District's financial statement amounts.

**17. RESTATEMENT**

The School District restated its net assets as of June 30, 2007 to account for accreted interest on capital appreciation bonds. The following table shows the effect on Governmental Activities net assets:

	Governmental Activities
Net assets - June 30, 2007	\$ 7,537,852
Accred interest on capital appreciation bonds	<u>(1,150,238)</u>
Net assets - June 30, 2007, restated	<u>\$ 6,387,614</u>

**BATAVIA LOCAL SCHOOL DISTRICT**

Schedule of Revenues, Expenditures and Changes in Fund

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

General Fund

Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues:</b>				
Taxes	7,680,189	6,594,717	6,567,598	(27,119)
Tuition and fees	722,139	605,109	601,904	(3,205)
Interest	200,000	228,129	226,997	(1,132)
Intergovernmental	7,522,325	8,723,924	8,687,384	(36,540)
Other local revenues	25,000	27,506	28,993	1,487
<b>Total revenues</b>	<u>16,149,653</u>	<u>16,179,385</u>	<u>16,112,876</u>	<u>(66,509)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	7,600,000	7,921,853	7,848,734	73,119
Special education	2,400,000	2,695,289	2,695,289	-
Other instruction	139,839	141,516	116,050	25,466
Support services:				
Pupil	558,877	537,003	506,888	30,115
Instructional staff	650,679	681,036	681,036	-
Board of Education	129,831	130,116	113,378	16,738
Administration	1,500,000	1,623,878	1,505,634	118,244
Fiscal	450,000	538,635	428,356	110,279
Operation and maintenance of plant	1,550,000	1,615,016	1,615,016	-
Pupil transportation	1,330,000	1,390,847	1,345,528	45,319
Central	11,875	11,950	8,099	3,851
Non-instructional services:				
Extracurricular activities	310,323	350,056	287,603	62,453
Capital outlay	150,000	393,797	151,622	242,175
	<u>16,781,424</u>	<u>18,030,992</u>	<u>17,303,233</u>	<u>727,759</u>
Excess of revenues over expenditures	(631,771)	(1,851,607)	(1,190,357)	661,250
<b>Other financing sources (uses):</b>				
Transfers in	-	-	37,767	37,767
Transfers out	100,000	(141,739)	(138,267)	3,472
Other sources	-	-	674	674
<b>Total other financing sources (uses):</b>	<u>100,000</u>	<u>(141,739)</u>	<u>(99,826)</u>	<u>41,913</u>
Net change in fund balance	(531,771)	(1,993,346)	(1,290,183)	703,163
Fund balance, beginning of year	1,989,506	1,989,506	1,989,506	
Prior year encumbrances appropriated	251,747	251,747	251,747	
Fund balance, end of year	<u>1,709,482</u>	<u>247,907</u>	<u>951,070</u>	

See accompanying notes to required supplemental information.

# BATAVIA LOCAL SCHOOL DISTRICT

Notes to Required Supplementary Information

Year Ended June 30, 2008

## Note A Budgetary Basis of Accounting

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

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

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

Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

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

Net change in fund balance - GAAP Basis	\$	<u>General</u> (752,159)
Increase / (decrease):		
Due to revenues		19,588
Due to expenditures		119,635
Due to other sources (uses)		674
Due to encumbrances		<u>(677,921)</u>
Excess of revenues and other sources over (under) expenditures and other uses - Budget Basis	\$	<u>(1,290,183)</u>

Batavia Local School District  
Clermont County

Schedule of Federal Awards Receipts and Expenditures  
For the Year Ended June 30, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
Food Distribution Program	NA	10.550	\$ -	\$ 114,098	\$ -	\$ 114,098
Team Nutrition Grants	TWNT	10.574	300	-	300	-
Nutrition Cluster						
School Breakfast Program	05PU	10.553	85,542	-	85,542	-
National School Lunch Program	LLP4	10.555	270,144	-	270,144	-
Total Nutrition Cluster			<u>355,686</u>	<u>-</u>	<u>355,686</u>	<u>-</u>
<b>Total United States Department of Agriculture</b>			355,986	114,098	355,986	114,098
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed through Ohio Department of Education</i>						
Title I	C1S1	84.010	408,561	-	354,095	-
Special Education Grants to States	6BSF	84.027	426,496	-	426,749	-
Safe and Drug Free Schools	DRS1	84.186	12,160	-	3,272	-
State Grants for Innovative Programs	C2S1	84.298	4,786	-	5,452	-
Education Technology State Grants	TJS1	84.318	5,920	-	5,595	-
Improving Teacher Quality State Grants	TRS1	84.367	103,056	-	96,756	-
<i>Passed through Great Oaks Institute of Technology and Career Development</i>						
Vocational Education - Basic Grants to States	NA	84.048	<u>4,280</u>	<u>-</u>	<u>4,585</u>	<u>-</u>
<b>Total United States Department of Education</b>			<u>965,259</u>	<u>-</u>	<u>896,504</u>	<u>-</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,321,245</u>	<u>\$ 114,098</u>	<u>\$ 1,252,490</u>	<u>\$ 114,098</u>

NA = Pass through entity number could not be located.  
See Notes to the Schedule of Federal Awards Expenditures.

**BATAVIA LOCAL SCHOOL DISTRICT**  
Notes to Schedule of Federal Awards Expenditures  
For the Fiscal Year Ended June 30, 2008

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**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures of (the Schedule) is a summary of the activity of the School District's federal award program. The Schedule has been prepared on the cash basis of accounting.

**NOTE B –FOOD DISTRIBUTIONS**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the entitlement value of the commodities received.

**BALESTRA, HARR & SCHERER, CPAs, INC.**  
528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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Telephone (740) 289-4131

Fax (740) 289-3639

www.bhscpas.com

Member American Institute of Certified Public Accountants

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board  
Batavia Local School District  
800 Bauer Avenue  
Batavia, Ohio 45103

We have audited the financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Batavia Local School District (the School District) as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 27, 2009 in which we indicate that the District implemented GASB Statements No. 50 and No. 45. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 2008-001 and 2008-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Members of the Board

Batavia Local School District

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Page 2

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding number 2008-001 is also material weaknesses.

We also noted certain matters that we reported to the School District's management in a separate letter dated March 27, 2009.

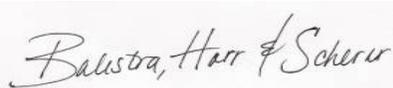
**Compliance and Other Matters**

As part of reasonably assuring whether the Government's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2008-002 and 2008-003.

We also noted a certain noncompliance or other matters not requiring inclusion in this report that we reported to the School District's management in a separate letter dated March 27, 2009.

The District's responses to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses, and accordingly, we express no opinion on them.

We intend this report solely for the information and use of the management, members of the Board, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.



Balestra, Harr & Scherer, CPAs, Inc.

March 27, 2009

# BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687  
Piketon, Ohio 45661

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Telephone (740) 289-4131

Fax (740) 289-3639

www.bhscpas.com

Member American Institute of Certified Public Accountants

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## **Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

Members of the Board  
Batavia Local School District  
800 Bauer Avenue  
Batavia, Ohio 45103

### **Compliance**

We have audited the compliance of the Batavia Local School District, Clermont County (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to its major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

### **Internal Control Over Compliance**

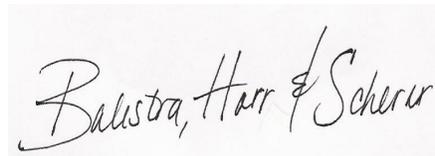
The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of management, Members of the Board, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

March 27, 2009

BATAVIA LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY  
JUNE 30, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505

**SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other significant control deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education CFDA# 84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

BATAVIA LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY  
JUNE 30, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505

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

**Finding 2008-001**

**Material Weakness – Audit Adjustments**

Material and immaterial misstatements were identified during the course of the audit which were not prevented or detected by the School District's internal controls over financial reporting. Material misstatements were identified in the following areas:

- Debt.

Immaterial misstatements were identified in the following areas:

- Property Taxes,
- Intergovernmental Revenue,
- Expenses,
- Cash,
- Reserve for Encumbrances,
- Accounts Payable.

All material misstatements were corrected, as well as certain immaterial misstatements due to their nature. These corrections are reflected in the financial statements.

The School District should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

**Clients Response:** In the future the Treasurer will work more closely with the accounting firm performing the compilation to ensure accuracy. Additionally, the Treasurer will review each revenue and expenditure more carefully.

**Finding 2008-002**

**Material Noncompliance**

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The District did not file their appropriations with the county auditor and obtain a "does not exceed" certificate. At December 31, 2007 the District had appropriations that exceeded the unencumbered beginning balance plus estimated resources in the Poverty Based Assistance Fund. The District should file all appropriations with the county auditor and obtain a "does not exceed" certificate. We also recommend that the District monitor and amend their appropriations throughout the year when deemed necessary so as to not exceed the unencumbered beginning balance plus estimated resources.

**Clients Response:** This comment is a result of this being the first full year I was Treasurer and working with a new County Auditor's office and a new staff. This has already been corrected during the current fiscal year.

BATAVIA LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY  
JUNE 30, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505

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

**Finding 2008-003**

**Material Noncompliance**

Ohio Revised Code Section 5705.36 Certification of available revenue. On or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year. Ohio Rev. Code Section 5705.36 - Amended Certificates 5705.36(A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. 5705.36(A)(3) requires obtaining an increased amended certificate from the budget commission if the legislative authority intends to appropriate and expend excess revenue. 5705.36(A)(4) requires obtaining a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation. The total appropriations made during a fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation. The District did not approve or submit a certificate of total amount from all sources available at the beginning of the fiscal year. At the end of the year the District's appropriations exceeded the actual receipts plus beginning balance in the 572 (\$171,992) and 494 (\$194,227) funds. The District should approve and the Treasurer should submit to the county at the beginning of each fiscal year a certificate of total amount available from all sources. Furthermore the District should monitor appropriations verses total available resources and request amend certificate when deemed necessary.

**Clients Response:** This was the first full year I was the Treasurer at Batavia and a new County Auditor's office and new staff. These items will be corrected during the current fiscal year.

**Finding 2008-004**

**Significant Deficiency – Internal Controls**

The District did not follow its prescribed procedures for purchasing. The District's process for purchasing is as follows:

1. A requisition is prepared and approved for purchase unless the expense is for a recurring item such as utilities and lease payments
2. A PO is prepared and approved by the Treasurer and the Superintendent
3. When the goods/services are received, an indication receipt of goods/services and approval for payment.
4. The treasurer reviews and initials each check indicating approval.

Ten percent of the vouchers selected for testing did not have an approved requisition form. Five percent of the PO's were not approved by the treasurer and six percent of the PO's were not approved by the superintendent. Sixteen percent of the invoices/packing slips were not initialed or signed indicating receipt of goods/services. Six percent of vouchers did not have notification of the treasurer's approval for the payment to be made. Failure to follow prescribed procedures could lead to payment on goods or services that have not been received or approved by the Treasurer or Superintendent. This District should follow its prescribed procedures for purchasing.

**Clients Response:** During the audit period we had a change in accounts payable personnel which contributed to this issue. We have already implemented procedures to correct this situation, including utilizing a "Then and Now" certificate. I will also be sending out a correspondence to the entire staff reminding them of our purchasing procedures.

BATAVIA LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY  
JUNE 30, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 SECTION .505

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**None.**

**BATAVIA LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-1	Audit Adjustments – Accrued Wages and Benefits	No	Re-issued as 2008-001
2007-2	Internal Controls – Non-payroll procedures	No	Re-issued as 2008-004



**Mary Taylor, CPA**  
Auditor of State

**BATAVIA LOCAL SCHOOL DISTRICT**

**CLERMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 9, 2009**