



# Balestra, Harr & Scherer, CPAs, Inc.

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Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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BATAVIA LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY

SINGLE AUDIT

For the Year Ended June 30, 2012  
Fiscal Year Audited Under GAGAS: 2012





# Dave Yost • Auditor of State

Board of Education  
Batavia Local School District  
2400 Clermont Center Drive  
Suite 240  
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, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

March 20, 2013

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**BATAVIA LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY  
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# Balestra, Harr & Scherer, CPAs, Inc.

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## Independent Auditor's Report

Members of the Board of Education  
Batavia Local School District  
2400 Clermont Center Drive  
Suite 240  
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, Clermont County, Ohio (the School District), as of and for the year ended June 30, 2012, 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 the 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 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 Batavia Local School District, Clermont County, Ohio, as of June 30, 2012, 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 January 11, 2013 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.

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

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Schedule of Federal Awards Receipts and Expenditures provides additional information 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. The Schedule of Federal Awards Receipts and Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
January 11, 2013



## **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, 2012. 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 2012 are listed below:

- ✓ The assets of the School District exceeded its liabilities at year-end by \$3.5 million. However, \$2.5 million is invested in capital assets, net of related debt.
- ✓ In total, net assets decreased by approximately \$1.9 million.
- ✓ The School District had \$20.0 million in expenses related to governmental activities; only \$2.5 million of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$15.6 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 \$605,070 from a fund balance of \$466,908 at June 30, 2011 to a fund deficit of (\$138,162) at June 30, 2012.

### **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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**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, 2012 and 2011:

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>FY12</b>	<b>FY11</b>	<b>FY12</b>	<b>FY11</b>	<b>FY12</b>	<b>FY11</b>
Current and other assets	\$ 10,059,298	11,403,113	253,471	257,302	10,312,769	11,660,415
Capital assets	8,742,627	9,255,971	14,326	7,797	8,756,953	9,263,768
Total assets	18,801,925	20,659,084	267,797	265,099	19,069,722	20,924,183
Long-term liabilities	7,442,244	7,323,147	8,104	9,121	7,450,348	7,332,268
Other liabilities	8,024,522	8,116,520	63,894	72,410	8,088,416	8,188,930
Total liabilities	15,466,766	15,439,667	71,998	81,531	15,538,764	15,521,198
Net assets:						
Invested in capital assets, net of debt	2,533,698	3,633,740	14,326	7,797	2,548,024	3,641,537
Restricted:						
For debt service	1,550,660	1,328,419	-	-	1,550,660	1,328,419
Other purposes	381,404	848,096	-	146,392	381,404	994,488
Unrestricted	(1,130,603)	(590,838)	181,473	29,379	(949,130)	(561,459)
Total net assets	\$ 3,335,159	5,219,417	195,799	183,568	3,530,958	5,402,985

Total assets decreased by approximately \$1.9 million, or 9%. The majority of the decrease occurred in both receivables and capital assets. The decrease in receivables is attributable to lower taxes collected on lower assessed property valuations and completion of stimulus-funded grants during fiscal year 2011. Capital assets decreased due to current depreciation expense exceeding the additions in fiscal year 2012. Total liabilities increased by approximately \$18,000, or less than 1%.

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**B. Governmental and Business-type Activities during fiscal year 2012**

The following table presents a condensed summary of the School District's activities during fiscal year 2012 and 2011 and the resulting change in net assets:

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>	
	<b>Activities</b>		<b>Activities</b>			
	<b>FY12</b>	<b>FY11</b>	<b>FY12</b>	<b>FY11</b>	<b>FY12</b>	<b>FY11</b>
<b>Revenues:</b>						
Program revenues:						
Charges for services and sales	\$ 1,123,538	1,269,216	341,550	313,495	1,465,088	1,582,711
Operating grants and contributions	<u>1,372,011</u>	<u>2,149,618</u>	<u>585,893</u>	<u>576,234</u>	<u>1,957,904</u>	<u>2,725,852</u>
Total program revenues	<u>2,495,549</u>	<u>3,418,834</u>	<u>927,443</u>	<u>889,729</u>	<u>3,422,992</u>	<u>4,308,563</u>
General revenues:						
Property taxes	5,270,593	6,806,032	-	-	5,270,593	6,806,032
Payments in lieu of taxes	783,700	407,218	-	-	783,700	407,218
Grants and entitlements	9,318,907	8,942,341	-	-	9,318,907	8,942,341
Investment earnings	858	2,363	-	-	858	2,363
Miscellaneous	<u>258,812</u>	<u>453,533</u>	<u>-</u>	<u>-</u>	<u>258,812</u>	<u>453,533</u>
Total general revenues	<u>15,632,870</u>	<u>16,611,487</u>	<u>-</u>	<u>-</u>	<u>15,632,870</u>	<u>16,611,487</u>
<b>Total revenues</b>	<u>18,128,419</u>	<u>20,030,321</u>	<u>927,443</u>	<u>889,729</u>	<u>19,055,862</u>	<u>20,920,050</u>
<b>Expenses:</b>						
Instruction	13,287,634	13,525,842	-	-	13,287,634	13,525,842
Support services:						
Pupil	401,229	586,541	-	-	401,229	586,541
Instructional staff	272,276	412,940	-	-	272,276	412,940
Board of Education	193,130	149,184	-	-	193,130	149,184
Administration	1,292,464	1,412,208	-	-	1,292,464	1,412,208
Fiscal	492,621	513,276	-	-	492,621	513,276
Operation and maintenance of plant	1,310,660	1,400,637	-	-	1,310,660	1,400,637
Pupil transportation	1,903,679	1,659,572	-	-	1,903,679	1,659,572
Central	2,018	11,134	-	-	2,018	11,134
Non-instructional services	455,204	523,690	-	-	455,204	523,690
Interest and fiscal charges	401,762	423,154	-	-	401,762	423,154
Food services	-	-	830,370	821,916	830,370	821,916
Uniform school supplies	<u>-</u>	<u>-</u>	<u>84,842</u>	<u>102,956</u>	<u>84,842</u>	<u>102,956</u>
<b>Total expenses</b>	<u>20,012,677</u>	<u>20,618,178</u>	<u>915,212</u>	<u>924,872</u>	<u>20,927,889</u>	<u>21,543,050</u>
<b>Change in net assets</b>	\$ <u>(1,884,258)</u>	<u>(587,857)</u>	<u>12,231</u>	<u>(35,143)</u>	<u>(1,872,027)</u>	<u>(623,000)</u>

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Of the total governmental activities revenues of \$18,128,419, \$2,495,549 (14%) is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, 34% (\$5,270,593) comes from property tax levies and 60% (\$9,318,907) comes from state funding. The School District's operations are reliant upon its property tax levy and the state's foundation program. Total revenue decreased by \$1.9 million, or 9%, due to one-time stimulus-funded grants being completed in fiscal year 2011, which also caused expenses to decrease as well, and declines in tax revenue due to both lower assessed property valuations and less property taxes available to be advanced at the end of the fiscal year.

***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 12% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$13,287,634, but program revenue contributed to fund 18% of those costs. Thus, general revenues of \$10,958,143 were used to support of remainder of the instruction costs.

	<b>Governmental Activities</b>			
	<b>Total Cost</b>	<b>Program</b>	<b>Revenues</b>	<b>Net Cost</b>
	<b>of Services</b>	<b>Revenue</b>	<b>as a % of</b>	<b>of Services</b>
	<u></u>	<u></u>	<u>Total Costs</u>	<u></u>
Instruction	\$ 13,287,634	2,329,491	18%	10,958,143
Support services	5,868,077	83,419	1%	5,784,658
Non-instructional services	455,204	82,639	18%	372,565
Interest and fiscal charges	<u>401,762</u>	<u>-</u>	0%	<u>401,762</u>
<b>Total</b>	<b>\$ <u>20,012,677</u></b>	<b><u>2,495,549</u></b>	<b><u>12%</u></b>	<b><u>17,517,128</u></b>

***Business-type Activities***

Net assets of the business-type activities increased by \$12,231 as charges for services and in Federal and state grant funding were sufficient to support 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 all of the costs of Food Services.

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	<b>Business-type Activities</b>		<b>Revenues</b>	<b>Net Cost</b>
	<b>Total Cost of Services</b>	<b>Program Revenue</b>	<b>as a % of Total Costs</b>	<b>(Revenue) of Services</b>
Food services	\$ 830,370	838,436	101%	(8,066)
School supplies	84,842	89,007	105%	(4,165)
<b>Total</b>	\$ <u>915,212</u>	<u>927,443</u>	<u>101%</u>	<u>(12,231)</u>

**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 comprised 96% (\$9,828,666) of the total \$10,186,927 governmental fund assets.

**General Fund.** Fund deficit at June 30, 2012 was (\$138,162), a decrease of \$605,070 from the prior year. The majority of this decrease is attributable to property tax revenue, which decreased by \$1.2 million due to the aforementioned combination of fewer collections on lower assessed valuations and lower amounts of taxes available to advance at year end. This decrease was partially offset by higher State foundation revenue received under the Bridge formula. Expenditures were fairly consistent with the prior year, after factoring out capital outlay expenditures that were financed with bond proceeds.

**Debt Service Fund.** Fund balance at June 30, 2012 was \$1,875,339. The Debt Service Fund is used to accumulate resources to pay the Series 1998 general obligation bonds. The required bond payments were made as scheduled during the current fiscal year. The fund's cash balance at year-end is adequate to make the required debt payments for the year ended June 30, 2013 as well.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The schedule comparing the School District's original and final budgets and actual results is included in the required supplementary information. During fiscal year 2012, the School District amended its General Fund budget with Clermont County as changes occurred in School District revenues and expenditures. Original budgeted revenues were within 1.3% of final budgeted revenues. Final budgeted expenditures increased by approximately \$988,000 from the original budget due to incorporating expenditures into the General Fund that were previously funded with stimulus funding. There were no significant differences between the final revenue budget and actual revenue and actual expenditures exceeded final budgeted expenditures by only \$127,618, or less than 1%.

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**Unaudited**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets**

At June 30, 2012, the School District had invested in a broad range of capital assets, including land, construction in progress, buildings, equipment and vehicles. See Note 5 to the financial statements for more detail.

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

		<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
		<u>FY12</u>	<u>FY11</u>	<u>FY12</u>	<u>FY11</u>	<u>FY12</u>	<u>FY11</u>
Land	\$	1,230,447	1,230,447	-	-	1,230,447	1,230,447
Construction in progress		590,165	-	-	-	590,165	-
Land improvements		571,702	705,881	-	-	571,702	705,881
Buildings and improvements		5,426,225	5,774,247	-	-	5,426,225	5,774,247
Equipment and furniture		120,170	147,965	14,326	7,797	134,496	155,762
Vehicles		803,918	1,397,431	-	-	803,918	1,397,431
Total	\$	<u>8,742,627</u>	<u>9,255,971</u>	<u>14,326</u>	<u>7,797</u>	<u>8,756,953</u>	<u>9,263,768</u>

**Debt**

During the fiscal year, the School District issued \$520,000 in Series 2011 HB264 bonds to finance various energy conservation projects. The School District paid its required scheduled principal payment of \$87,486, with \$5,788,929 outstanding at June 30, 2012. See Note 10 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.

School funding continues to be a complex and unstable issue for Ohio school districts. The current State administration replaced the Evidence Based Model formula with a Bridge formula for both fiscal years 2012 and 2013. We are currently in the last year of the current biennium budget and do not know what to expect for the upcoming biennium budget that will begin with fiscal year 2014.



**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, 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, 2400 Clermont Center Drive, Suite 240p, Batavia, Ohio 45103.

# BATAVIA LOCAL SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2012

	Governmental Activities	Business-Type Activities	Total
<b>Assets:</b>			
Equity in pooled cash and cash equivalents	\$ 2,534,545	161,829	2,696,374
Receivables:			
Taxes	6,386,639	-	6,386,639
Accounts	12,432	1,904	14,336
Intergovernmental	1,046,919	70,845	1,117,764
Interest	156	-	156
Supplies inventory	-	18,893	18,893
Restricted cash and cash equivalents	78,607	-	78,607
Nondepreciable capital assets	1,820,612	-	1,820,612
Depreciable capital assets, net	6,922,015	14,326	6,936,341
<b>Total assets</b>	<u>18,801,925</u>	<u>267,797</u>	<u>19,069,722</u>
<b>Liabilities:</b>			
Accounts payable	366,846	3,324	370,170
Accrued wages and benefits	1,175,760	38,604	1,214,364
Intergovernmental payable	325,126	21,966	347,092
Unearned revenue	6,132,880	-	6,132,880
Accrued interest payable	23,910	-	23,910
Noncurrent liabilities:			
Due within one year	904,575	2,940	907,515
Due within more than one year	6,537,669	5,164	6,542,833
<b>Total liabilities</b>	<u>15,466,766</u>	<u>71,998</u>	<u>15,538,764</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	2,533,698	14,326	2,548,024
Restricted for:			
Debt service	1,550,660	-	1,550,660
Other purposes	381,404	-	381,404
Unrestricted	(1,130,603)	181,473	(949,130)
<b>Total net assets</b>	<u>\$ 3,335,159</u>	<u>195,799</u>	<u>3,530,958</u>

See accompanying notes to the basic financial statements.

**BATAVIA LOCAL SCHOOL DISTRICT**

Statement of Activities  
Year Ended June 30, 2012

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>						
Instruction:						
Regular	\$ 8,888,415	1,040,899	234,377	\$ (7,613,139)	-	(7,613,139)
Special education	4,304,072	-	1,054,215	(3,249,857)	-	(3,249,857)
Other instruction	95,147	-	-	(95,147)	-	(95,147)
Support services:						
Pupil	401,229	-	-	(401,229)	-	(401,229)
Instructional staff	272,276	-	-	(272,276)	-	(272,276)
Board of Education	193,130	-	-	(193,130)	-	(193,130)
Administration	1,292,464	-	78,019	(1,214,445)	-	(1,214,445)
Fiscal	492,621	-	5,400	(487,221)	-	(487,221)
Operation and maintenance of plant	1,310,660	-	-	(1,310,660)	-	(1,310,660)
Pupil transportation	1,903,679	-	-	(1,903,679)	-	(1,903,679)
Central	2,018	-	-	(2,018)	-	(2,018)
Non-instructional services:						
Extracurricular activities	455,204	82,639	-	(372,565)	-	(372,565)
Interest on long-term debt	401,762	-	-	(401,762)	-	(401,762)
Total Governmental Activities	<u>20,012,677</u>	<u>1,123,538</u>	<u>1,372,011</u>	<u>(17,517,128)</u>	<u>-</u>	<u>(17,517,128)</u>
<b>Business-Type Activities:</b>						
Food Service	830,370	252,543	585,893	-	8,066	8,066
Uniform School Supplies	84,842	89,007	-	-	4,165	4,165
Total Business-Type Activities	<u>915,212</u>	<u>341,550</u>	<u>585,893</u>	<u>-</u>	<u>12,231</u>	<u>12,231</u>
	\$ <u>20,927,889</u>	<u>1,465,088</u>	<u>1,957,904</u>	<u>(17,517,128)</u>	<u>12,231</u>	<u>(17,504,897)</u>
<b>General Revenues:</b>						
Property taxes, levied for general purposes				4,949,417	-	4,949,417
Property taxes, levied for debt services				321,176	-	321,176
Payments in lieu of taxes				783,700	-	783,700
Grants and entitlements not restricted				9,318,907	-	9,318,907
Investment earnings				858	-	858
Miscellaneous				258,812	-	258,812
Total general revenues				<u>15,632,870</u>	<u>-</u>	<u>15,632,870</u>
Change in net assets				(1,884,258)	12,231	(1,872,027)
Net assets beginning of year				<u>5,219,417</u>	<u>183,568</u>	<u>5,402,985</u>
Net assets end of year				\$ <u>3,335,159</u>	<u>195,799</u>	<u>3,530,958</u>

See accompanying notes to the basic financial statements.

## BATAVIA LOCAL SCHOOL DISTRICT

Balance Sheet  
 Governmental Funds  
 June 30, 2012

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in pooled cash and cash equivalents \$	604,620	1,818,839	111,086	2,534,545
Restricted cash and cash equivalents	78,607	-	-	78,607
Receivables:				
Taxes	5,975,750	410,889	-	6,386,639
Accounts	12,176	-	256	12,432
Accrued interest	156	-	-	156
Intergovernmental	800,000	-	246,919	1,046,919
Interfund receivable	127,629	-	-	127,629
<b>Total assets</b>	<u>7,598,938</u>	<u>2,229,728</u>	<u>358,261</u>	<u>10,186,927</u>
<b>Liabilities:</b>				
Accounts payable	357,536	-	9,310	366,846
Accrued wages and benefits	1,112,982	-	62,778	1,175,760
Intergovernmental payable	307,832	-	17,294	325,126
Interfund payable	-	-	127,629	127,629
Deferred revenue	5,958,750	354,389	246,919	6,560,058
<b>Total liabilities</b>	<u>7,737,100</u>	<u>354,389</u>	<u>463,930</u>	<u>8,555,419</u>
<b>Fund Balances:</b>				
Restricted	78,607	1,875,339	55,878	2,009,824
Committed	328	-	-	328
Assigned	765,558	-	53,754	819,312
Unassigned (Deficit)	(982,655)	-	(215,301)	(1,197,956)
<b>Total fund balances</b>	<u>(138,162)</u>	<u>1,875,339</u>	<u>(105,669)</u>	<u>1,631,508</u>
<b>Total liabilities and fund balances</b>	\$ <u>7,598,938</u>	<u>2,229,728</u>	<u>358,261</u>	<u>10,186,927</u>

See accompanying notes to the basic financial statements.

**BATAVIA LOCAL SCHOOL DISTRICT**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2012

<b>Total Governmental Fund Balances</b>	\$	1,631,508
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.		8,742,627
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds.		427,178
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	5,788,929	
Accreted interest on bonds	310,692	
Compensated absences	922,623	
Lease-purchase agreement	420,000	
Accrued interest payable	23,910	
Total		(7,466,154)
Net Assets of Governmental Activities	\$	3,335,159

## BATAVIA LOCAL SCHOOL DISTRICT

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

#### Governmental Funds

Year Ended June 30, 2012

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$ 5,287,564	352,082	-	5,639,646
Tuition and fees	1,040,899	-	-	1,040,899
Interest	838	-	20	858
Payments in lieu of taxes	723,251	60,449	-	783,700
Intergovernmental	9,250,828	68,079	1,814,468	11,133,375
Other local revenues	250,320	-	91,131	341,451
<b>Total revenues</b>	<u>16,553,700</u>	<u>480,610</u>	<u>1,905,619</u>	<u>18,939,929</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	8,083,919	-	347,500	8,431,419
Special education	3,298,327	-	994,607	4,292,934
Other instruction	92,667	-	-	92,667
Support services:				
Pupil	404,413	-	7,261	411,674
Instructional staff	282,293	-	22,594	304,887
Board of Education	193,130	-	-	193,130
Administration	1,250,142	-	54,317	1,304,459
Fiscal	483,171	-	5,400	488,571
Operation and maintenance of plant	1,225,808	-	-	1,225,808
Pupil transportation	1,307,884	-	-	1,307,884
Central	2,018	-	-	2,018
Non-instructional services:				
Extracurricular activities	268,181	-	111,890	380,071
Capital outlay	599,216	-	54,757	653,973
Debt Service:				
Principal	85,000	62,486	-	147,486
Interest and fiscal charges	22,601	636,307	-	658,908
<b>Total expenditures</b>	<u>17,598,770</u>	<u>698,793</u>	<u>1,598,326</u>	<u>19,895,889</u>
Excess of revenues over (under) expenditures	<u>(1,045,070)</u>	<u>(218,183)</u>	<u>307,293</u>	<u>(955,960)</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	80,000	80,000
Transfers out	(80,000)	-	-	(80,000)
Issuance of bonds	520,000	-	-	520,000
<b>Total other financing sources (uses):</b>	<u>440,000</u>	<u>-</u>	<u>80,000</u>	<u>520,000</u>
Net change in fund balance	(605,070)	(218,183)	387,293	(435,960)
Fund balance, beginning of year	466,908	2,093,522	(492,962)	2,067,468
Fund balance, end of year	\$ <u>(138,162)</u>	<u>1,875,339</u>	<u>(105,669)</u>	<u>1,631,508</u>

See accompanying notes to the basic financial statements.

**BATAVIA LOCAL SCHOOL DISTRICT**  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
 Year Ended June 30, 2012

**Net Change in Fund Balances - Total Governmental Funds** \$ (435,960)

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	590,165
Depreciation expense	(1,103,509)

Repayment of capital appreciation bond principal and accreted interest is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	390,000
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	25,000
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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.	60,000
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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.	(1,145)
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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.	(8,076)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(811,510)
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Accretion of capital appreciation bonds do not require use of current financial resources are not reported in the governmental funds	(69,223)
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Issuance of bonds provides current financial resources to governmental funds.	<u>(520,000)</u>
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Change in Net Assets of Governmental Activities	\$ <u><u>(1,884,258)</u></u>
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# BATAVIA LOCAL SCHOOL DISTRICT

## Statement of Net Assets

### Proprietary Funds

June 30, 2012

	<u>Nonmajor Enterprise Funds</u>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents	\$ 161,829
Receivables:	
Accounts	1,904
Intergovernmental	70,845
Supplies inventory	<u>18,893</u>
Total current assets	<u>253,471</u>
Noncurrent assets:	
Capital assets, net	<u>14,326</u>
<b>Total assets</b>	<u>267,797</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	3,324
Accrued wages	38,604
Intergovernmental payable	21,966
Compensated absences	<u>2,940</u>
Total current liabilities	<u>66,834</u>
Noncurrent liabilities:	
Compensated absences	<u>5,164</u>
<b>Total liabilities</b>	<u>71,998</u>
<b>Net Assets:</b>	
Invested in capital assets	14,326
Unrestricted	<u>181,473</u>
<b>Total net assets</b>	<u>\$ 195,799</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, 2012

	Nonmajor Enterprise Funds
<b>Operating revenues:</b>	
Charges for services	\$ <u>341,550</u>
<b>Total operating revenues</b>	<u>341,550</u>
<b>Operating expenses:</b>	
Salaries and wages	256,494
Fringe benefits	123,953
Contractual services	19,728
Materials and supplies	510,403
Depreciation	<u>4,634</u>
<b>Total operating expenses</b>	<u>915,212</u>
Operating loss	(573,662)
<b>Nonoperating revenues:</b>	
Federal and state grants	<u>585,893</u>
<b>Total nonoperating revenues</b>	<u>585,893</u>
Net income	12,231
Net assets, beginning of year	<u>183,568</u>
Net assets, end of year	\$ <u><u>195,799</u></u>

See accompanying notes to the basic financial statements.

## BATAVIA LOCAL SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2012

	Nonmajor Enterprise Funds
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 340,253
Cash payments for personal services	(391,050)
Cash payments for contract services	(19,728)
Cash payments for supplies and materials	(396,833)
Cash payments for other expenses	(10,343)
Net cash used for operating activities	<u>(477,701)</u>
<b>Cash flows from noncapital financing activities:</b>	
Cash received from federal and state grants	434,228
Net cash provided by noncapital financing activities	<u>434,228</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets	<u>(11,163)</u>
Net cash used for capital and related financing activities	<u>(11,163)</u>
Change in cash and cash equivalents	(54,636)
Cash and cash equivalents at beginning of year	<u>216,465</u>
Cash and cash equivalents at end of year	\$ <u><u>161,829</u></u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	(573,662)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	4,634
Donated commodities used	83,222
Changes in assets and liabilities:	
Accounts receivable	(1,297)
Accounts payable	1,070
Supplies inventory	18,935
Accrued wages and benefits	(17,305)
Intergovernmental payable	7,719
Compensated absences payable	<u>(1,017)</u>
Net cash used for operating activities	\$ <u><u>(477,701)</u></u>

See accompanying notes to the basic financial statements.

# BATAVIA LOCAL SCHOOL DISTRICT

## Statement of Net Assets

### Fiduciary Funds

June 30, 2012

	Private Purpose Trust	Agency Funds
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Equity in pooled cash and cash equivalents	\$ <u>8,529</u>	<u>48,265</u>
Total assets	<u><u>8,529</u></u>	<u><u>48,265</u></u>
<b>LIABILITIES</b>		
Due to student groups	<u>-</u>	<u>48,265</u>
Total liabilities	<u>-</u>	<u><u>48,265</u></u>
<b>NET ASSETS</b>		
Held in trust	\$ <u><u>8,529</u></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, 2012

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Contributions	\$ -
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, 2012**

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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. 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 2,100 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 Association of School Business Officials Workers' Compensation Group Rating Plan, and the Clermont County Health Trust. These organizations are presented in Notes 12 and 13 to the basic financial statements.

# BATAVIA LOCAL SCHOOL DISTRICT

## Notes to the Basic Financial Statements

Year Ended June 30, 2012

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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 net assets.

## BATAVIA LOCAL SCHOOL DISTRICT

### Notes to the Basic Financial Statements

Year Ended June 30, 2012

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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, 2012**

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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, payments in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes were levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

***Deferred Revenue*** Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Property taxes and payments in lieu of taxes measurable as of June 30, 2012, which are intended to finance fiscal year 2013 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, 2012**

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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, 2012

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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.

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

#### F. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in central bank accounts. Monies for all funds are maintained in these accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. During fiscal year 2012, 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, 2012, 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, 2012**

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**G. Inventory**

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

**H. Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type columns in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their 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 and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

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

**I. Interfund Balances**

On fund financials, receivable and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column of the statement of net assets.

**J. 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.

## BATAVIA LOCAL SCHOOL DISTRICT

### Notes to the Basic Financial Statements

Year Ended June 30, 2012

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

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

#### **K. 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.

#### **L. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve.

#### **M. Fund Balance**

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

***Nonspendable*** – The nonspendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact. The “not in a spendable form” criterion includes items that are not expected to be converted to cash.

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

## BATAVIA LOCAL SCHOOL DISTRICT

### Notes to the Basic Financial Statements

Year Ended June 30, 2012

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

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

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

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

#### N. Net 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 first 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, 2012

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### O. Estimates

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

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

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

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

## BATAVIA LOCAL SCHOOL DISTRICT

### Notes to the Basic Financial Statements

Year Ended June 30, 2012

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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":

#### ***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 \$2,938,445 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, 2012**

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**3. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in subsequent fiscal year and are intended to finance the operations of that year, except monies available to be advanced against such distributions which may be appropriated and used in the current fiscal year. Property taxes include amounts levied against real and public utility property located within the School District.

Real property taxes and public utility taxes are levied after April against the assessed value as of the prior January 1, the lien date. Assessed values are established by State law at 35 percent of appraised value.

Public utility property taxes are assessed on tangible personal property as well as land and improvements. Real property is assessed at 35 percent of true value and tangible personal property is currently assessed at varying percentages of true value. These taxes attached as a lien against local and inter-exchange telephone companies and are levied January 1 of the current year. Tangible personal property tax on business inventory, manufacturing machinery, and equipment is no longer levied and collected.

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, 2012 are available to finance fiscal year 2012 operations.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2012. 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, 2012 was \$817,000 in the General Fund and \$56,500 in the Debt Service Fund.



**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

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The assessed values upon which fiscal year 2012 taxes were collected are:

	<u>2011 Second- Half Collections</u>		<u>2012 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 212,360,530	95.81%	188,975,620	95.20%
Public Utility	8,965,870	4.04%	9,518,040	4.80%
Tangible Personal Property	<u>329,940</u>	0.15%	<u>-</u>	0.00%
Total Assessed Value	\$ <u>221,656,340</u>	100.00%	<u>198,493,660</u>	100.00%
Tax rate per \$1,000 of assessed valuation		\$51.60		\$51.85

**4. INTERFUND TRANSACTIONS**

On the fund financial statements, the General Fund has receivables of \$127,629 due from Other Governmental Funds. These interfund loans were made to provide operating capital.

During the year ended June 30, 2012, the General Fund made transfers of \$80,000 to Other Governmental Funds. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) maintain debt service.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

**5. CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2012 was as follows:

	Balance 7/1/11	Additions	Disposals	Balance 6/30/12
<b><i>Governmental Activities</i></b>				
<b>Nondepreciable:</b>				
Land	\$ 1,230,447	-	-	1,230,447
Construction in progress	-	590,165	-	590,165
Subtotal	<u>1,230,447</u>	<u>590,165</u>	<u>-</u>	<u>1,820,612</u>
<b>Depreciable:</b>				
Land improvements	2,936,525	-	-	2,936,525
Buildings and improvements	13,499,491	-	-	13,499,491
Equipment and furniture	1,079,956	-	-	1,079,956
Vehicles	3,569,380	-	(167,157)	3,402,223
Subtotal	<u>21,085,352</u>	<u>-</u>	<u>(167,157)</u>	<u>20,918,195</u>
Totals at historical cost	<u>22,315,799</u>	<u>590,165</u>	<u>(167,157)</u>	<u>22,738,807</u>
Less accumulated depreciation:				
Land improvements	2,230,644	134,179	-	2,364,823
Buildings and improvements	7,725,244	348,022	-	8,073,266
Equipment and furniture	931,991	27,795	-	959,786
Vehicles	2,171,949	593,513	(167,157)	2,598,305
Total accumulated depreciation	<u>13,059,828</u>	<u>1,103,509</u>	<u>(167,157)</u>	<u>13,996,180</u>
Capital assets, net	<u>\$ 9,255,971</u>	<u>(513,344)</u>	<u>-</u>	<u>8,742,627</u>

Depreciation expense was charged to functions as follows:

Instruction:	
Regular	\$ 406,004
Support services:	
Instructional staff	1,340
Fiscal	1,440
Operation and maintenance of plant	19,435
Pupil transportation	593,513
Extracurricular activities	<u>81,777</u>
Total depreciation expense	<u>\$ 1,103,509</u>

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

	Balance 7/1/11	Additions	Disposals	Balance 6/30/12
<i><b>Business-type Activities:</b></i>				
Furniture and equipment	\$ 168,601	11,163	-	179,764
Less accumulated depreciation	160,804	4,634	-	165,438
Capital assets, net	\$ 7,797	6,529	-	14,326

Depreciation expense of \$4,634 was charged to the food services segment.

**6. RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, 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 2012, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

For fiscal year 2012, the School District participated in the Clermont County Health Trust (the Trust), a group insurance purchasing pool (Note 13), in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Trustee provides insurance policies in whole or in part through one or more group insurance policies.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

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**7. 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, disability, and survivor benefits; annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

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, the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2012, the allocation to pension and death benefits was 12.70%. The remaining 1.30% 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, 2012, 2011, and 2010 were \$326,000, \$293,000, and \$324,000, respectively. Approximately 89% has been contributed for fiscal year 2012 and 100% for the fiscal years 2011 and 2010, respectively. The current portion of the unpaid contribution for fiscal year 2012 is recorded as a liability within the financial statements.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

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**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. STRS 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.

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

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

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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.

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.

Plan members are required to contribution 10% of their annual covered salary and the School District was required to contribute 14%. 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. The School District's required contributions to STRS Ohio for the fiscal years ended June 30, 2012, 2011, and 2010 were \$1,111,000, \$936,000, and \$1,088,000, respectively. Approximately 83% has been contributed for fiscal year 2012 and 100% for the fiscal years 2011 and 2010, respectively. The unpaid contribution for fiscal year 2012 is recorded as a liability in the respective funds.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

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**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 4.2% of wages paid.

**8. 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.

**State Teachers Retirement System**

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 Ohio 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 years ended June 30, 2012, 2011 and 2010. 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, 2012, 2011, and 2010 were \$79,000, \$67,000, and \$78,000, respectively. Approximately 83% has been contributed for fiscal year 2012 and 100% for the fiscal years 2011 and 2010, respectively.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

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**School Employees Retirement System**

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

*Medicare Part B Plan* - The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. 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 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. 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 2012, the actuarially required allocation was 0.75%. The School District's contributions for the years ended June 30, 2012, 2011, and 2010, was \$17,000, \$16,000, and \$18,000, respectively, which equaled the required contributions each year.

*Health Care Plan* - ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health care plan or program. SERS 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 employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC 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. For the year ended June 30, 2012, the health care allocation was 0.55%. 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 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The School District contributions to health care for the years ended June 30, 2012, 2011, and 2010 were \$13,000, \$30,000, and \$11,000, respectively.



**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

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.

**9. EMPLOYEE BENEFITS**

**Compensated Absences**

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

**10. LONG-TERM OBLIGATIONS**

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Principal Outstanding 7/1/11	Additions	Reductions	Principal Outstanding 6/30/12	Amounts Due in One Year
<b><i>Governmental Activities:</i></b>					
General obligation bonds	\$ 5,356,415	520,000	(87,486)	5,788,929	83,929
Accreted interest on bonds	568,983	69,223	(327,514)	310,692	336,071
Lease-purchase agreements	480,000	-	(60,000)	420,000	420,000
Compensated absences	917,749	78,760	(73,886)	922,623	64,575
Total	<u>7,323,147</u>	<u>667,983</u>	<u>(548,886)</u>	<u>7,442,244</u>	<u>904,575</u>
<b><i>Business-type Activities:</i></b>					
Compensated absences	\$ <u>9,121</u>	<u>652</u>	<u>(1,669)</u>	<u>8,104</u>	<u>2,940</u>

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

**BATAVIA LOCAL SCHOOL DISTRICT**

**Notes to the Basic Financial Statements**

**Year Ended June 30, 2012**

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

*Lease-Purchase Agreement* – In 2003, the School District entered into a lease-purchase agreement for the purchase of buses. The School District is leasing the buses from Rickenbacker Port Authority which assigned U.S. Bank as trustee and transferred rights, title and interest in the buses 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 2003 lease is renewable annually and expire in 2013. The School District intends to renew the lease annually. Payments will be made from the General Fund.

Capital assets acquired by the lease-purchase agreement have been capitalized in the amount of \$900,000 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 agreement.

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2012 are as follows:

Fiscal Year Ending June 30,		Principal	Interest	Total
2013	\$	83,929	647,334	731,263
2014		435,000	299,047	734,047
2015		465,000	274,669	739,669
2016		485,000	248,956	733,956
2017		505,000	222,047	727,047
2018-2022		2,990,000	648,953	3,638,953
2023-2026		825,000	31,503	856,503
Total	\$	<u>5,788,929</u>	<u>2,372,509</u>	<u>8,161,438</u>

The following is a schedule of future minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2012:

Fiscal Year Ending June 30,		
2013	\$	427,850
Less amount representing interest		<u>(7,850)</u>
Present value of minimum lease payments	\$	<u>420,000</u>

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

**11. FUND BALANCES**

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

Governmental Fund Balances	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b><i>Restricted for</i></b>				
Set-asides	\$ 78,607	-	-	78,607
Scholarships	-	-	26,114	26,114
Athletics	-	-	28,864	28,864
Vocational Education	-	-	900	900
Debt Service Payments	-	1,875,339	-	1,875,339
<b><i>Total Restricted</i></b>	<b>78,607</b>	<b>1,875,339</b>	<b>55,878</b>	<b>2,009,824</b>
<b><i>Committed to</i></b>				
Employee Benefits	328	-	-	328
<b><i>Assigned to</i></b>				
Capital Improvements	-	-	53,754	53,754
Public School Support	23,388	-	-	23,388
Budget Resource	742,170	-	-	742,170
<b><i>Total Assigned</i></b>	<b>765,558</b>	<b>-</b>	<b>53,754</b>	<b>819,312</b>
<b><i>Unassigned (Deficit)</i></b>	<b>(982,655)</b>	<b>-</b>	<b>(215,301)</b>	<b>(1,197,956)</b>
<b><i>Total Governmental Fund Balance</i></b>	<b>\$ (138,162)</b>	<b>1,875,339</b>	<b>(105,669)</b>	<b>1,631,508</b>

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

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**12. 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. Complete financial statements for H/CCA can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati 45231.

*The Great Oaks Institute of Technology and Career Development*

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

**13. INSURANCE PURCHASING POOLS**

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

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

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

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*The Clermont County Health Trust*

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

**14. CONTINGENCIES**

**Federal and State Funding**

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effects of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

**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.

**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 acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. Although no longer required by state statute, a budget stabilization reserve may still be set aside at the discretion of the School District.

**BATAVIA LOCAL SCHOOL DISTRICT**  
**Notes to the Basic Financial Statements**  
**Year Ended June 30, 2012**

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

		<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside reserve balance as of June 30, 2011	\$	-	78,607
Current year set-aside requirement		356,311	-
Current year qualifying expenditures		<u>(356,311)</u>	<u>-</u>
Total		<u>-</u>	<u>78,607</u>
Set-aside reserve balance as of June 30, 2012	\$	<u>-</u>	<u>78,607</u>

**16. ACCOUNTABILITY AND COMPLIANCE**

**Accountability**

At June 30, 2012, the following funds had a deficit fund balance:

General Fund	\$138,162
Other Governmental Funds:	
Education Jobs	9,903
Race to the Top Fund	92,082
State Fiscal Stabilization Fund	1,499
Title I Fund	100,929
Improving Teacher Quality Grant Fund	6,882
Miscellaneous Federal Grants Fund	4,006

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

**Compliance**

The General Fund had expenditures plus encumbrances exceeding appropriations.

## 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, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues:</b>				
Taxes	5,181,768	5,925,297	5,853,164	(72,133)
Payments in lieu of taxes	800,000	723,251	723,251	-
Tuition and fees	-	123,387	123,387	-
Interest	-	-	700	700
Intergovernmental	11,118,058	10,168,340	10,168,340	-
Other local revenues	175,000	115,725	182,713	66,988
<b>Total revenues</b>	<u>17,274,826</u>	<u>17,056,000</u>	<u>17,051,555</u>	<u>(4,445)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	7,698,000	8,210,000	8,237,567	(27,567)
Special education	2,800,000	3,328,000	3,423,919	(95,919)
Other instruction	150,000	100,000	94,851	5,149
Support services:				
Pupil	560,000	450,000	448,026	1,974
Instructional staff	525,000	350,000	313,474	36,526
Board of Education	110,000	195,000	191,982	3,018
Administration	1,300,000	1,257,000	1,261,701	(4,701)
Fiscal	480,000	500,000	489,176	10,824
Operation and maintenance of plant	1,350,000	1,300,000	1,372,970	(72,970)
Pupil transportation	1,250,000	1,383,000	1,425,885	(42,885)
Central	4,000	5,000	2,268	2,732
Non-instructional services:				
Extracurricular activities	312,000	289,000	274,883	14,117
Capital outlay	520,000	641,300	599,216	42,084
Debt service	-	38,551	38,551	-
<b>Total expenditures</b>	<u>17,059,000</u>	<u>18,046,851</u>	<u>18,174,469</u>	<u>(127,618)</u>
Excess of revenues over expenditures	215,826	(990,851)	(1,122,914)	(132,063)
<b>Other financing sources (uses):</b>				
Transfers out	(200,000)	(119,000)	(119,000)	-
Bonds issued	520,000	520,000	520,000	-
<b>Total other financing sources (uses):</b>	<u>320,000</u>	<u>401,000</u>	<u>401,000</u>	<u>-</u>
Net change in fund balance	535,826	(589,851)	(721,914)	(132,063)
Fund balance, beginning of year, restated	867,157	867,157	867,157	
Prior year encumbrances appropriated	326,384	326,384	326,384	
Fund balance, end of year	<u>1,729,367</u>	<u>603,690</u>	<u>471,627</u>	

See accompanying notes to required supplementary information.

# BATAVIA LOCAL SCHOOL DISTRICT

Notes to Required Supplementary Information

Year Ended June 30, 2012

## Note A Budgetary Basis of Accounting

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

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

Revenues 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 an expenditure when liquidated (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> (605,070)
Increase / (decrease):		
Due to inclusion of the Public School Support Fund		5,955
Due to inclusion of the Employee Benefits Fund		10,516
Due to revenues		554,336
Due to expenditures		(371,135)
Due to encumbrances		<u>(316,516)</u>
Net change in fund balance - Budget Basis	\$	<u><u>(721,914)</u></u>

*Beginning of year budgetary fund balance was restated to account for adjustments made on the GAAP basis in prior years.*



**Batavia Local School District**  
**Clermont County**  
Schedule of Federal Awards Receipts and Expenditures  
For the Fiscal Year Ended June 30, 2012

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>						
<i>Child Nutrition Cluster:</i>						
National School Lunch Program	3L60	10.555	\$ 313,326	\$ 83,222	\$ 313,326	\$ 83,222
School Breakfast Program	3L70	10.553	110,008	-	110,008	-
Total Nutrition Cluster			423,334	83,222	423,334	83,222
<b>Total United States Department of Agriculture</b>			423,334	83,222	423,334	83,222
<b>United States Department of Education</b>						
<i>Passed through Ohio Department of Education</i>						
<i>Title I, Part A Cluster:</i>						
Title I Grants to Local Educational Agencies	3M00	84.010	904,713	-	696,071	-
Title I Grants to Local Educational Agencies, ARRA	3DK0	84.389	92,847	-	22,479	-
Total Title I, Part A Cluster			997,560	-	718,550	-
<i>Special Education Cluster (IDEA):</i>						
Special Education - Grants to States	3M20	84.027	363,523	-	371,869	-
Special Education - Grants to States, ARRA	3DJ0	84.391	66,323	-	-	-
Total Special Education Cluster			429,846	-	371,869	-
<i>Education Technology State Grants Cluster:</i>						
Education Technology State Grants	3S20	84.318	3,499	-	8,906	-
Total Education Technology State Grants Cluster			3,499	-	8,906	-
Improving Teacher Quality State Grants	3Y60	84.367	165,021	-	125,234	-
Teacher Incentive Fund - ARRA	3EC0	84.385	73,913	-	52,498	-
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, ARRA	3FD0	84.395	84,279	-	172,492	-
Education Jobs Fund	3ET0	84.410	446,456	-	128,367	-
<i>Passed through Hamilton County Educational Service Center</i>						
English Language Acquisition Grants	NA	84.365	1,733	-	1,733	-
<i>Passed through Great Oaks Institute of Technology and Career Development</i>						
Career and Technical Education - Basic Grants to States	NA	84.048	3,771	-	4,017	-
<b>Total United States Department of Education</b>			2,206,078	-	1,583,666	-
<b>Total Federal Financial Assistance</b>			<u>\$ 2,629,412</u>	<u>\$ 83,222</u>	<u>\$ 2,007,000</u>	<u>\$ 83,222</u>

See accompanying notes to the schedule of federal awards receipts and expenditures.  
N/A - Pass through entity number not available.

**BATAVIA LOCAL SCHOOL DISTRICT  
CLERMONT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**NOTE A – SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B – NATIONAL SCHOOL LUNCH AND BREAKFAST PROGRAMS**

Federal funds received from the National School Lunch and Breakfast Programs were commingled with state subsidy and local revenue from the sale of meals. It was assumed that federal dollars were expended first.

**NOTE C – FOOD DONATION**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received as assessed by the U.S. Department of Agriculture.



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

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### **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

Members of the Board of Education  
Batavia Local School District  
2400 Clermont Center Drive  
Suite 240  
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, Clermont County, Ohio (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 11, 2013. 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 the purpose of expressing our opinions on the financial statements, but not for the purpose of opining 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.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. *A material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of 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 internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency

in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2012-001 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*

We did note a certain matter not requiring inclusion in this report that we reported to the School District's management in a separate letter dated January 11, 2013.

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

*Balestra, Harr & Scherer, CPAs*  
Balestra, Harr & Scherer, CPAs, Inc.  
January 11, 2013



# Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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## Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Members of the Board of Education  
Batavia Local School District  
2400 Clermont Center Drive  
Suite 240  
Batavia, Ohio 45103

### Compliance

We have audited the compliance of Batavia Local School District, Clermont County, Ohio (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 could directly and materially affect each of Batavia Local School District's major federal programs for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 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 other procedures we considered necessary in the circumstances. We believe 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, Batavia Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2012.

### 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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

Members of the Board of Education  
Batavia Local School District  
Report on Compliance with Requirements Applicable to each Major Federal Program and on  
Internal Control Over Compliance Required by OMB Circular A-133  
Page 2

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, 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, the Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

*Balestra, Harr & Scherer, CPAs*

Balestra, Harr & Scherer, CPAs, Inc.  
January 11, 2013

**Batavia Local School District  
Clermont County**

**Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2012**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	No
(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)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Child Nutrition Cluster: National School Lunch Program, CFDA# 10.555; School Breakfast Program, CFDA# 10.553 Title I Cluster: Title I Grants to Local Educational Agencies, CFDA #84.010; Title I Grants to Local Educational Agencies – ARRA, CFDA #84.389 State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants – ARRA, CFDA# 84.395 Education Jobs Fund, CFDA# 84.410
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**Batavia Local School District  
Clermont County**

**Schedule of Findings  
OMB Circular A-133 Section §.505  
June 30, 2012**

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

**Finding 2012-001**

**Significant Deficiency – Financial Reporting**

Sound financial reporting is the responsibility of the District's Treasurer and Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate. The District incurred adjustments to Taxes Receivable and Deferred Revenue. The accompanying financial statements were adjusted to reflect correction of these misstatements.

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

**Client's response:**

Client did not choose to respond to this issue.

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

**None noted**



**Batavia Local School District  
Clermont County**

**Schedule of Prior Audit Findings  
OMB Circular A-133 Section §.315(b)  
June 30, 2012**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2011-001	Significant Deficiency – Financial Reporting	No	Reissued as 2012-001
2011-002	Significant Deficiency – Capital Assets	Yes	

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# Dave Yost • Auditor of State

**BATAVIA LOCAL SCHOOL DISTRICT**

**CLERMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 2, 2013**