



OHIO AUDITOR OF STATE
KEITH FABER



**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY
JUNE 30, 2023**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor’s Report	1
Prepared by Management:	
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position – Cash Basis	5
Statement of Activities – Cash Basis	6
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds.....	7
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances - Governmental Funds	8
Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance - Budget and Actual – Budgetary Basis – General Fund.....	9
Statement of Fiduciary Net Position Cash Basis - Fiduciary Fund	10
Statement of Change in Fiduciary Net Position Cash Basis - Fiduciary Fund	11
Notes to the Basic Financial Statements	13
Schedule of Expenditures of Federal Awards	49
Notes to the Schedule of Expenditures of Federal Awards.....	50
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	51
Independent Auditor’s Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	53
Schedule of Findings	57
Prepared by Management:	
Summary Schedule of Prior Audit Findings	59
Corrective Action Plan	61

This page intentionally left blank.



INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Audit of the Financial Statements

Opinions

We have audited the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Arcanum-Butler Local School District, Darke County, Ohio (the School District), as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2023, and the respective changes in cash-basis financial position thereof and the budgetary comparison for the general fund for the fiscal year then ended in accordance with the cash-basis of accounting described in Note 2.

Basis for Opinions

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

Emphasis of Matter - Accounting Basis

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash-basis of accounting described in Note 2, and for determining that the cash-basis of accounting is an acceptable basis for preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

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

The Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule has been subjected to the auditing procedures applied to the basic financial statements and certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2024, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

March 6, 2024

This page intentionally left blank.

Arcanum-Butler Local School District
Darke County, Ohio
Statement of Net Position - Cash Basis
June 30, 2023

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$9,770,458
<i>Total Assets</i>	<i>\$9,770,458</i>
 Net Position	
Restricted for:	
Debt Service	\$1,277,399
Other Purposes	1,654,868
Unrestricted	6,838,191
<i>Total Net Position</i>	<i>\$9,770,458</i>

See accompanying notes to the basic financial statements

Arcanum-Butler Local School District
Darke County, Ohio
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2023

	<u>Program Cash Receipts</u>			Net (Disbursements)
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Receipts and Change in Net Position</u>
				<u>Governmental Activities</u>
Governmental Activities				
Instruction:				
Regular	\$5,848,804	\$187,559	\$179,190	(\$5,482,055)
Special	1,854,950	182,836	612,329	(1,059,785)
Vocational	112,759	1,018	12,159	(99,582)
Student Intervention Services	11,219		9,121	(2,098)
Support Services:				
Pupil	1,243,292	509	236,066	(1,006,717)
Instructional Staff	741,161		183,124	(558,037)
Board of Education	85,309			(85,309)
Administration	940,844	924		(939,920)
Fiscal	341,696			(341,696)
Operation and Maintenance of Plant	1,422,752		305,957	(1,116,795)
Pupil Transportation	1,023,288		90,000	(933,288)
Central	13,524			(13,524)
Operation of Non-Instructional Services	839,778	306,130	242,433	(291,215)
Extracurricular Activities	869,731	329,647	119,222	(420,862)
Capital Outlay	118,697			(118,697)
Principal Retirement	640,438			(640,438)
Interest and Fiscal Charges	335,424			(335,424)
Payment to Refunded Bond Escrow Agent	500			(500)
Totals	<u>\$16,444,166</u>	<u>\$1,008,623</u>	<u>\$1,989,601</u>	<u>(\$13,445,942)</u>
		General Receipts		
				2,663,875
				783,232
				50,654
				2,777,073
				7,331,407
				296,023
				18,793
			<i>Total General Receipts</i>	<u>13,921,057</u>
			Change in Net Position	475,115
			<i>Net Position Beginning of Year</i>	<u>9,295,343</u>
			<i>Net Position End of Year</i>	<u>\$9,770,458</u>

See accompanying notes to the basic financial statements

Arcanum-Butler Local School District
Darke County, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2023

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$6,797,324	\$1,277,399	\$1,695,735	\$9,770,458
<i>Total Assets</i>	<u>\$6,797,324</u>	<u>\$1,277,399</u>	<u>\$1,695,735</u>	<u>\$9,770,458</u>
Fund Balances				
Restricted	0	1,277,399	1,654,868	2,932,267
Committed	0	0	40,867	40,867
Assigned	1,131,138	0	0	1,131,138
Unassigned	5,666,186	0	0	5,666,186
<i>Total Fund Balances</i>	<u>\$6,797,324</u>	<u>\$1,277,399</u>	<u>\$1,695,735</u>	<u>\$9,770,458</u>

See accompanying notes to the basic financial statements

Arcanum-Butler Local School District
Darke County, Ohio
Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2023

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$2,663,875	\$783,232	\$50,654	\$3,497,761
Income Tax	2,777,073	0	0	2,777,073
Intergovernmental	7,542,790	116,867	1,527,805	9,187,462
Interest	296,023	0	9,315	305,338
Tuition and Fees	253,445	0	92,395	345,840
Customer Sales and Service	0	0	301,834	301,834
Extracurricular Activities	27,006	0	329,422	356,428
Contributions and Donations	43,019	0	81,212	124,231
Miscellaneous	17,158	0	4,521	21,679
<i>Total Receipts</i>	<u>13,620,389</u>	<u>900,099</u>	<u>2,397,158</u>	<u>16,917,646</u>
Disbursements				
Current:				
Instruction:				
Regular	5,525,662	0	323,142	5,848,804
Special	1,591,301	0	263,649	1,854,950
Vocational	112,759	0	0	112,759
Student Intervention Services	2,011	0	9,208	11,219
Support Services:				
Pupil	891,481	0	351,811	1,243,292
Instructional Staff	576,695	0	164,466	741,161
Board of Education	85,309	0	0	85,309
Administration	939,031	413	1,400	940,844
Fiscal	324,161	16,474	1,061	341,696
Operation and Maintenance of Plant	1,331,398	0	91,354	1,422,752
Pupil Transportation	885,582	0	137,706	1,023,288
Central	13,524	0	0	13,524
Operation of Non-instructional Activities	228,977	0	610,801	839,778
Extracurricular Activities	472,725	0	397,006	869,731
Capital Outlay	118,697	0	0	118,697
Principal	100,438	540,000	0	640,438
Interest	22,799	312,625	0	335,424
Payment to Refunded Bond Escrow Agent	0	500	0	500
<i>Total Disbursements</i>	<u>13,222,550</u>	<u>870,012</u>	<u>2,351,604</u>	<u>16,444,166</u>
<i>Excess of Receipts Over Disbursements</i>	<u>397,839</u>	<u>30,087</u>	<u>45,554</u>	<u>473,480</u>
Other Financing Sources (Uses)				
Transfers In	0	0	70,000	70,000
Transfers Out	(70,000)	0	0	(70,000)
Advances In	13,476	0	100,394	113,870
Advances Out	(100,394)	0	(13,476)	(113,870)
Proceeds from Sale of Capital Assets	1,635	0	0	1,635
<i>Total Other Financing Sources (Uses)</i>	<u>(155,283)</u>	<u>0</u>	<u>156,918</u>	<u>1,635</u>
<i>Net Change in Fund Balances</i>	242,556	30,087	202,472	475,115
<i>Fund Balances Beginning of Year</i>	<u>6,554,768</u>	<u>1,247,312</u>	<u>1,493,263</u>	<u>9,295,343</u>
<i>Fund Balances End of Year</i>	<u>\$6,797,324</u>	<u>\$1,277,399</u>	<u>\$1,695,735</u>	<u>\$9,770,458</u>

See accompanying notes to the basic financial statements

Arcanum-Butler Local School District
Darke County, Ohio
Statement of Cash Receipts, Cash Disbursements and Changes
In Fund Cash Balance - Budget and Actual - Budgetary Basis
General Fund
For the Fiscal Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property Taxes	\$2,629,160	\$2,629,160	\$2,663,875	\$34,715
Income Taxes	2,590,601	2,987,082	2,777,073	(210,009)
Intergovernmental	7,556,217	7,556,217	7,542,790	(13,427)
Interest	62,500	62,500	296,023	233,523
Tuition and Fees	205,468	205,468	202,561	(2,907)
Gifts and Donations	1,500	1,500	38,010	36,510
Miscellaneous	11,410	11,410	9,933	(1,477)
<i>Total Revenues</i>	<u>13,056,856</u>	<u>13,453,337</u>	<u>13,530,265</u>	<u>76,928</u>
Expenditures				
Current:				
Instruction:				
Regular	5,867,221	4,820,568	5,466,549	(645,981)
Special	1,716,306	1,991,519	1,729,301	262,218
Vocational	120,543	116,868	113,946	2,922
Student Intervention	2,169	2,471	2,011	460
Support Services:				
Pupil	960,874	1,158,255	892,202	266,053
Instructional Staff	621,997	582,894	618,567	(35,673)
Board of Education	92,010	83,034	88,741	(5,707)
Administration	1,012,797	971,821	951,404	20,417
Fiscal	349,626	375,638	340,521	35,117
Operation and Maintenance of Plant	1,435,986	1,598,781	1,499,612	99,169
Pupil Transportation	955,149	905,569	892,607	12,962
Central	14,586	14,467	22,923	(8,456)
Operation of Non-Instructional Services	246,964	237,272	232,726	4,546
Extracurricular Activities	509,860	519,414	517,877	1,537
Capital Outlay	128,021	230,019	176,923	53,096
Debt Service:				
Principal	108,328	100,523	100,438	85
Interest	24,590	26,411	22,799	3,612
<i>Total Expenditures</i>	<u>14,167,027</u>	<u>13,735,524</u>	<u>13,669,147</u>	<u>66,377</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,110,171)</u>	<u>(282,187)</u>	<u>(138,882)</u>	<u>143,305</u>
Other Financing Sources (Uses)				
Transfers Out	(75,499)	(30,900)	(70,000)	(39,100)
Advances In	0	0	13,476	13,476
Advances Out	(108,280)	(101,559)	(100,394)	1,165
Proceeds from Sale of Capital Assets	2,500	2,500	1,635	(865)
Refund of Prior Year Receipts	(12,882)	(5,000)	(11,944)	(6,944)
Refund of Prior Year Expenditures	20,000	20,000	7,105	(12,895)
<i>Total Other Financing Sources (Uses)</i>	<u>(174,161)</u>	<u>(114,959)</u>	<u>(160,122)</u>	<u>(45,163)</u>
<i>Net Change in Fund Balance</i>	<u>(1,284,332)</u>	<u>(397,146)</u>	<u>(299,004)</u>	<u>98,142</u>
<i>Fund Balance Beginning of Year</i>	5,933,865	5,933,865	5,933,865	0
Prior Year Encumbrances Appropriated	<u>494,704</u>	<u>494,704</u>	<u>494,704</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$5,144,237</u>	<u>\$6,031,423</u>	<u>\$6,129,565</u>	<u>\$98,142</u>

See accompanying notes to the basic financial statements

Arcanum-Butler Local School District
Darke County, Ohio
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Fund
June 30, 2023

	Private Purpose Trust
Assets	
Equity in Pooled Cash and Cash Equivalents	\$20,754
Investments in Segregated Accounts	4,192
<i>Total Assets</i>	\$24,946
 Net Position	
Held in Trust for Scholarships	\$24,946
	\$24,946

See accompanying notes to the basic financial statements

Arcanum-Butler Local School District
Darke County, Ohio
Statement of Change in Fiduciary Net Position - Cash Basis
Fiduciary Fund
For the Fiscal Year Ended June 30, 2023

	Private Purpose Trust
Additions	
Gifts and Contributions	\$4,828
Interest	7
Miscellaneous	1,399
	6,234
 Deductions	
Payments in Accordance with Trust Agreements	11,465
Change in Net Position	(5,231)
Net Position - Beginning of Year	30,177
Net Position - End of Year	\$24,946

See accompanying notes to the basic financial statements

This page intentionally left blank.

Arcanum-Butler Local School District
Darke County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was originally established in 1885 and consolidated as the Arcanum-Butler Local School District through the consolidation of existing land areas and School Districts. The School District serves an area of approximately 54 square miles. It is located in Darke County, and includes all of the Villages of Arcanum, Ithaca, Gordon, and Castine and portions of Twin, Butler, VanBuren, and Neave Townships. It is staffed by 46 non-certificated employees, 71 certified full-time teaching personnel and 7 administrative employees who provide services to 1,068 students and other community members. The School District currently operates one building which houses all operations of the school.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Arcanum-Butler Local School District, this includes general operations, food service, and student related activities of the School District.

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

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

Jointly Governed Organizations:

Metropolitan Educational Technology Association
Southwestern Ohio Educational Purchasing Council

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

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

Insurance Purchasing Pools:

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

Shared Risk Pool:

Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust)

Related Organization:

Arcanum Public Library

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in the Basis of Accounting section of this note, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

Government-wide Financial Statements: The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The School District does not have any business-type activities.

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District classifies each fund as either governmental or fiduciary.

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

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

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

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

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into the following four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. The School District has a private purpose trust fund which accounts for various college scholarships for students. Custodial Funds are used to report fiduciary activities that are not required to be reported in a trust fund. The School District does not have any custodial funds.

C. Basis of Accounting

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

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the School District Treasurer. The amounts reported as the original budget amounts on the budgetary statement reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statement reflect the amounts on the amended certificate of estimated resources in effect at the time the final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

E. Cash, Cash Equivalents and Investments

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

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During 2023, the School District invested in commercial paper, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Farm Credit Bank, the Federal Home Loan Bank, U.S. Treasury Notes, a money market fund, negotiable certificates of deposit, and STAR Ohio. Investments are reported at cost, except for the money market fund and STAR Ohio. The School District's money market fund investment is recorded at the amount reported by Red Tree Investments at June 30, 2023.

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

There were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, 24 hours advance notice for deposits and withdrawals of \$100 million or more is encouraged. STAR Ohio reserves the right to limit the transaction to \$250 million per day, requiring the excess amount to be transacted the following business day(s), but only to the \$250 million limit. All accounts of the participant will be combined for these purposes.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2023 were \$296,023, which includes \$79,685 assigned to the General Fund from other funds.

F. Restricted Assets

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

G. Inventory

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

H. Prepaid Items

On the cash basis of accounting, payments made to vendors for services that will benefit periods beyond June 30, 2023, are recorded as disbursements when made and not as assets in the accompanying financial statements.

I. Capital Assets

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

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

L. Pensions/Other Postemployment Benefits (OPEB)

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

M. Fund Balance

Fund Balance

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

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

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

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assigned Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the School District's Board of Education. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education or a School District official delegated that authority by resolution or by State Statute. State statute authorizes the School District's Treasurer to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. The School District's Board of Education assigned fund balance for school supplies and educational activities. Assigned fund balance also exists for fiscal year 2024 general fund appropriations in excess of estimated receipts.

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

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

N. Net Position

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

O. Interfund Activity

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented in the financial statements.

P. Long-Term Obligations

Bonds and other long-term obligations are not recognized as a liability in the financial statements under the cash basis of accounting. These statements report proceeds of debt when cash is received, and debt service disbursements for debt principal and interest payments. Since recording a capital asset (including the intangible right to use) when entering into a lease, SBITA, or financed purchase transaction is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure is reported at inception. Lease payments, SBITA payments, and financed purchase payments are reported when paid.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. Leases and SBITA's

For fiscal year 2023, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA) was effective. This GASB pronouncement had no effect on beginning net position/fund balance.

The School District is the lessee in various leases related to buildings and other equipment under noncancelable leases. Lease payables are not reflected under the School District's cash basis of accounting. Lease disbursements are recognized when they are paid.

The School District has entered into noncancelable SBITA contracts (as defined by GASB 96) for several types of software including contracts related to financial systems, student registration, scheduling, grading systems and various other software. Subscription liabilities are not reflected under the School District's cash basis of accounting. Subscription disbursements are recognized when they are paid.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations, including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, Passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At June 30, 2023, the School District had \$1,600 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$180,230 of the School District’s bank balance of \$452,252 was exposed to custodial credit risk because it was uninsured and collateralized.

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

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

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

B. Investments

As of June 30, 2023, the School District had the following investments:

Investment Type	Investment Maturities			
	Carrying Value	Less Than One Year	One to Two Years	Two to Three Years
Commercial Paper	\$1,301,440	\$1,301,440	\$0	\$0
Federal Home Loan Mortgage Corporation	179,883	99,883	0	80,000
Federal National Mortgage Association	149,903	0	0	149,903
Federal Farm Credit Bank	149,828	0	149,828	0
Federal Home Loan Bank	229,851	129,851	0	100,000
U.S. Treasury Note	108,999	108,999	0	0
First American Treasury Obligation Fund	11,817	11,817	0	0
Negotiable Certificates of Deposit	2,157,092	912,808	869,734	374,550
STAR Ohio	5,492,875	5,492,875	0	0
Total	\$9,781,688	\$8,057,673	\$1,019,562	\$704,453

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 3 – DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk: The School District places no limit on the amount it may invest in any one issuer. At June 30, 2023, 56% of the District's investments were in STAR Ohio.

Credit Risk: State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. The School District's investment in STAR Ohio was rated AAAM by Standards & Poor's at June 30, 2023. The School District's investments in the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Farm Credit Bank, the Federal Home Loan Bank, and the U.S. Treasury Notes were rated Aaa by Moody's Investors Service and AAA or AA+ by Standard & Poor's at June 30, 2023. The School District's investments in commercial paper were rated P-1 by Moody's Investors Service and A-1 or A-1+ by Standard and Poor's at June 30, 2023.

NOTE 4 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax receipts received in calendar year 2023 represents collections of calendar year 2022 taxes. Real property taxes received in calendar year 2023 were levied after April 1, 2022, on the assessed value listed as of January 1, 2022, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in calendar year 2023 represents collections of calendar year 2022 taxes. Public utility real taxes received in calendar year 2023 became a lien December 31, 2021, were levied after April 1, 2022, and are collected in 2023 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Darke County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2023, are available to finance fiscal year 2024 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 4 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2023 taxes were collected are:

	2022 Second- Half Collections		2023 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$136,757,330	93%	\$139,151,510	92%
Public Utility Personal	10,755,520	7	11,378,380	8
Total	\$147,512,850	100%	\$150,529,890	100%
Tax rate per \$1,000 of assessed valuation	\$30.10		\$30.10	

NOTE 5 - INCOME TAX

As of June 30, 2023, the School District levies a voted tax of a total of one and one half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts to the General Fund during fiscal year 2023 were \$2,777,073.

NOTE 6 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are as follows:

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

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

Net Change in Fund Balance	
Cash Basis	\$242,556
Adjustment for Encumbrances	(533,958)
Difference in Perspective	(7,602)
Budgetary Basis	(\$299,004)

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 7 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2023, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), an insurance purchasing pool (see Note 11). Each individual participant enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. The School District contracts for general liability, property, and fleet insurance.

Coverage provided is as follows:

Buildings and Contents – replacement cost	\$46,407,089
Automobile Liability	6,000,000
Uninsured Motorist	1,000,000
General Liability	
Per Occurrence	6,000,000
Aggregate per member	8,000,000
Sexual misconduct and molestation	
Per Occurrence	6,000,000
Aggregate per member	8,000,000
Errors and Omissions	6,000,000
Employer’s Liability and Stop Gap	
Per Occurrence	6,000,000
Employee Benefit Liability	
Per Occurrence	6,000,000
Aggregate per member	8,000,000
Public Employee Dishonesty	100,000

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

B. Workers’ Compensation

For fiscal year 2023, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 11). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers’ compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers’ compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant’s individual performance is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund”. This “equity pooling fund” arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Hunter Consulting provides administrative, cost control, and actuarial services to the GRP.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 7 - RISK MANAGEMENT (continued)

C. Employee Benefits

For fiscal year 2023, the School District participated in the Southwestern Ohio Educational Purchasing Council Benefit Plan Trust (Trust), a risk sharing pool (Note 12). The School District pays monthly premiums to the Trust for employee medical, dental, vision, and life insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

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

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

Net Pension Liability/Net OPEB Liability

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

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

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

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPI-W, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for the years 2018, 2019, and 2020. The Retirement Board approved a 2.5 percent COLA for calendar year 2023.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2023, the allocation to pension, death benefits, and Medicare B was 14.0 percent. For fiscal year 2023, the Retirement Board did not allocate any employer contribution to the Health Care Fund.

The School District's contractually required contribution to SERS was \$237,497 for fiscal year 2023.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent upon a determination by its actuary that it was necessary to preserve the fiscal integrity of the retirement system. Benefit recipients’ base benefit and past cost-of living increases are not affected by this change. Effective July 1, 2022, an ad-hoc COLA of 3 percent of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018. Eligibility changes will be phased in until August 1, 2023, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The 2023 employer and employee contribution rate of 14 percent was equal to the statutory maximum rates. For 2023, the full employer contribution was allocated to pension.

The School District’s contractually required contribution to STRS was \$778,985 for fiscal year 2023.

Net Pension Liability

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.04397050%	0.04346916%	
Proportion of the Net Pension Liability			
Current Measurement Date	0.04405700%	0.04226719%	
Change in Proportionate Share	0.00008650%	-0.00120197%	
Proportionate Share of the Net			
Pension Liability	\$2,382,945	\$9,396,050	\$11,778,995

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2022 are presented below:

	June 30, 2022
Inflation	2.4 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 percent to 13.58 percent 2.0 percent, on or after April 1, 2018, COLAs for future retirees will be delayed for three years following commencement
Investment Rate of Return	7.00 percent net of System expenses
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

The most recent experience study was completed for the five year period ended June 30, 2020.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	<u>100.00 %</u>	

Discount Rate The total pension liability for 2022 was calculated using the discount rate of 7.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.00 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
School District's proportionate share of the net pension liability	\$3,507,582	\$2,382,945	\$1,435,454

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2022, actuarial valuation are presented below:

	June 30, 2022
Inflation	2.50 percent
Salary increases	Varies by service from 2.5% to 8.5%
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Discount Rate of Return	7.00 percent
Payroll Increases	3.00 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

For 2022, post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020. Pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For 2021, post-retirement mortality rates are based on RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates, thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022, valuation are based on the results of an actuarial experience study for the period July 1, 2015, through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLANS (continued)

<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Rate of Return **</u>
Domestic Equity	26.00%	6.60%
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	<u>100.00%</u>	

* Target allocation percentage is effective July 1, 2022.

Target weights were phased in over a 3 month period concluding on October 1, 2022

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

Discount Rate The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on pension plan investments of 7.00 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2022.

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

	<u>1% Decrease (6.00%)</u>	<u>Current Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
School District's proportionate share of the net pension liability	\$14,194,010	\$9,396,050	\$5,338,460

Changes Between Measurement Date and Reporting Date STRS approved a one-time 1.00% cost of living adjustment to eligible recipients effective July 1, 2023. It is unknown what effect this change will have on the net pension liability.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 9 – DEFINED BENEFIT OPEB PLANS

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

See note 8 for a description of the net OPEB liability

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. The following types of credit purchased after January 29, 1981 do not count toward health care coverage eligibility: military, federal, out-of-state, municipal, private school, exempted, and early retirement incentive credit. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2023, no allocation was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2023, this amount was \$25,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2023, the School District's surcharge obligation was \$30,612.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$30,612 for fiscal year 2023.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

Plan Description - State Teachers Retirement System (STRS)

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2023, STRS did not allocate any employer contributions to post-employment health care.

Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net OPEB Liability (Asset) Prior Measurement Date	0.04525740%	0.04346916%	
Proportion of the Net OPEB Liability (Asset) Current Measurement Date	<u>0.04485630%</u>	<u>0.04226719%</u>	
Change in Proportionate Share	<u>-0.00040110%</u>	<u>-0.00120197%</u>	
Proportionate Share of the Net OPEB Liability	\$629,787	\$0	\$629,787
Net OPEB (Asset)	\$0	(\$1,094,438)	(\$1,094,438)

Actuarial Assumptions - SERS

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2022, are presented below:

	June 30, 2022
Inflation	2.40 percent
Future Salary Increases, including inflation	
Wage Increases	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation
Fiduciary Net Position is Projected to be Depleted	2044
Municipal Bond Index Rate:	
Measurement Date	3.69 percent
Prior Measurement Date	1.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	4.08 percent
Prior Measurement Date	2.27 percent
Health Care Cost Trend Rate	
Medicare	5.125 to 4.40 percent
Pre-Medicare	6.75 to 4.40 percent
Medical Trend Assumption	7.00 to 4.40 percent

Mortality rates among healthy retirees were based on the PUB-2010 General Employee Amount Weighted Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward 2 years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward 5 years and adjusted 103.3 percent for males and set forward 3 years and adjusted 106.8 percent for females. Mortality rates for contingent survivors were based on PUB-2010 General Amount Weighted Below Median Contingent Survivor mortality table projected to 2017 with ages set forward 1 year and adjusted 105.5 percent for males and adjusted 122.5 percent for females. Mortality rates for actives is based on PUB-2010 General Amount Weighted Below Median Employee mortality table.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

The most recent experience study was completed for the five year period ended June 30, 2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board in 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.45) %
US Equity	24.75	5.37
Non-US Equity Developed	13.50	6.22
Non-US Equity Emerging	6.75	8.22
Fixed Income/Global Bonds	19.00	1.20
Private Equity	11.00	10.05
Real Estate/Real Assets	16.00	4.87
Multi-Asset Strategy	4.00	3.39
Private Debt/Private Credit	3.00	5.38
Total	100.00 %	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2022 was 4.08 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021, was 2.27 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2022, and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 3.69 percent at June 30, 2022 and 1.92 percent at June 30, 2021.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) and higher (5.08%) than the current discount rate (4.08%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.00% decreasing to 3.40%) and higher (8.00% decreasing to 5.40%) than the current rate.

	1% Decrease (3.08%)	Current Discount Rate (4.08%)	1% Increase (5.08%)
School District's proportionate share of the net OPEB liability	\$782,205	\$629,787	\$506,744
	1% Decrease (6.00% decreasing to 3.40 %)	Trend Rate (7.00 % decreasing to 4.40 %)	1% Increase (8.00 % decreasing to 5.40 %)
School District's proportionate share of the net OPEB liability	\$485,679	\$629,787	\$818,016

Actuarial Assumptions - STRS

Key methods and assumptions used in the June 30, 2022, compared with June 30, 2021 actuarial valuation are presented below:

	June 30, 2022	June 30, 2021
Projected salary increases	Varies by service from 2.5 percent to 8.5 percent	Varies by age from 2.5 percent to 12.50 percent
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3 percent	3 percent
Discount Rate of Return	7.00 percent	7.00 percent
Health Care Cost Trends		
Medical		
Pre-Medicare	7.50 percent initial 3.94 percent ultimate	5.00 percent initial 4 percent ultimate
Medicare	-68.78 percent initial 3.94 percent ultimate	-16.18 percent initial 4 percent ultimate
Prescription Drug		
Pre-Medicare	9.00 percent initial 3.94 percent ultimate	6.50 percent initial 4 percent ultimate
Medicare	-5.47 percent initial 3.94 percent ultimate	29.98 percent initial 4 percent ultimate

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

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

For 2022, healthy retirees post-retirement mortality rates are based on the Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110 percent for males, projected forward generationally using mortality improvement scale MP-2020; pre-retirement mortality rates are based on Pub-2010 Teachers Employee Table adjusted 95 percent for females, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on the Pub-2010 Teachers Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

For 2021, healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2022, valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2021. An actuarial experience study is done on a quinquennial basis.

Assumption Changes Since the Prior Measurement Date - The discount rate remained unchanged at 7.00% for the June 30, 2022 valuation.

Benefit Term Changes Since the Prior Measurement Date – Salary increase rates were updated based on the actuarial experience study for the period July 1, 2015 through June 30, 2021 and were changed from age based to service based.

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

<u>Asset Class</u>	<u>Target Allocation *</u>	<u>Long-Term Expected Rate of Return **</u>
Domestic Equity	26.00%	6.60%
International Equity	22.00	6.80
Alternatives	19.00	7.38
Fixed Income	22.00	1.75
Real Estate	10.00	5.75
Liquidity Reserves	1.00	1.00
Total	<u>100.00%</u>	

* Target allocation percentage is effective as of July 1, 2022. Target weights will be phased in over a 3-month period concluding on October 1, 2022.

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

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected health care costs to determine the total OPEB liability as of June 30, 2022.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2022, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 9 – DEFINED BENEFIT OPEB PLANS (continued)

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
School District's proportionate share of the net OPEB (asset)	(\$1,011,779)	(\$1,094,438)	(\$1,165,243)

	1% Decrease in Trend Rate	Current Trend Rate	1% Increase in Trend Rate
School District's proportionate share of the net OPEB (asset)	(\$1,135,199)	(\$1,094,438)	(\$1,042,988)

NOTE 10 - JOINTLY GOVERNED ORGANIZATIONS

A. Metropolitan Educational Technology Association (META)

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

The governing board of META consists of a president, vice-president, and six board members who represent the members of META. The Board works with META’s chief executive officer, chief operating officer, and chief financial officer to manage operations and ensure the continued progress of the organization’s mission, vision, and values. The Board exercises total control over the operations of META including budgeting, appropriating, contracting, and designating management. Each school district’s degree of control is limited to its representation on the Board. The School District paid META \$42,071 for services provided during the fiscal year. Financial information can be obtained from Ashley Widby, who serves as Chief Financial Officer at 100 Executive Drive, Marion, Ohio 43302.

B. Southwestern Ohio Educational Purchasing Council

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

SOEPC exercises total control over the operations of SOEPC, including budgeting, appropriating, contracting, and designating management. Each member’s degree of control is limited to its representation on the Council. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2023, the School District did not pay any membership fees to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, Ohio 45377.

NOTE 11 - INSURANCE PURCHASING POOLS

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

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

B. Ohio School Plan

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

NOTE 12 – SHARED RISK POOL

Southwestern Ohio Educational Purchasing Council Benefit Plan Trust

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 13 – RELATED ORGANIZATION

The Arcanum Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Arcanum-Butler Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely the Board of Trustees. The School District had no financial transactions with the Arcanum Public Library during fiscal year 2023. Financial information can be obtained from the Arcanum Public Library, Deborah Dynes, Fiscal Officer, at 101 West North Street, Arcanum, Ohio 45304.

NOTE 14 - SET-ASIDE CALCULATIONS

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

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

	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2022	\$0
Current Year Set-aside Requirement	235,678
Current Offsets	(50,654)
Qualifying Disbursements	<u>(185,024)</u>
Set-aside Balances Carried Forward to Future Fiscal Years	\$0
Set-aside Reserve Balances as of June 30, 2023	\$0

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

NOTE 15 – LONG-TERM OBLIGATIONS

The changes in the School District’s long-term obligations during fiscal year 2023 were as follows:

	Principal Outstanding 6/30/22	Additions	Deductions	Principal Outstanding 6/30/23
Classroom Facilities Refunding Bonds 2016 -1.47- 4.00%	\$9,075,914	\$0	\$220,914 *	\$8,855,000
Total Long-Term Obligations	\$9,075,914	\$0	\$220,914	\$8,855,000

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

*Principal retirement on the Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances is \$540,000, which was the accreted value of the bonds at maturity.

Of the \$8,855,000 Classroom Facilities Refunding Bonds outstanding, \$540,000 is the amount due in one year.

Classroom Facilities General Obligation Advance Refunding Bonds - During fiscal year 2016, the School District issued \$10,769,991 in general obligation bonds to advance refund the 2008 serial and term bonds. Of the bonds, \$6,830,000 are serial bonds with maturity dates of December 1, 2016 to December 1, 2019, and December 1, 2023 to December 1, 2031, and \$764,991 were capital appreciation bonds with maturity dates of December 1, 2020, 2021, and 2022. The maturity amount is \$540,000 each year. \$760,000 are term bonds maturing December 31, 2032, \$780,000 are term bonds maturing December 1, 2033, \$805,000 are term bonds maturing December 1, 2034, and \$830,000 are term bonds maturing December 31, 2035.

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

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

The School District’s overall legal debt margin was \$5,970,089 and the unvoted debt margin was \$150,530 at June 30, 2023.

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

Fiscal year Ending June 30,	Serial Bonds		Term Bonds	
	Principal	Interest	Principal	Interest
2024	\$540,000	\$206,575	\$0	\$95,250
2025	560,000	184,575	0	95,250
2026	585,000	161,675	0	95,250
2027	605,000	137,875	0	95,250
2028	630,000	113,175	0	95,250
2029-2033	2,760,000	220,888	760,000	464,850
2034-2036	0	0	2,415,000	110,175
Total	<u>\$5,680,000</u>	<u>\$1,024,763</u>	<u>\$3,175,000</u>	<u>\$1,051,275</u>

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 16 – DIRECT FINANCING LEASE

During 2015, the School District entered into a land lease and a leaseback agreement with Greenville National Bank for the purpose of financing the construction, improvement, renovation, furnishment, and equipping of school facilities. The amount financed was \$1,500,000, and the lease carries an interest rate of 2.875 percent. The School District is required to make monthly lease payments of \$10,270, with final payment due January 20, 2030. Principal payments on the lease in fiscal year 2023 totaled \$100,438 from the General Fund.

The following is a schedule of the future long-term minimum lease payments required under the lease and the present value of the minimum lease payments as of June 30, 2023:

Fiscal Year Ending June 30,	Governmental Activities Amounts
2024	\$123,237
2025	123,237
2026	123,237
2027	123,237
2028	123,237
2029-2030	195,126
Total	811,311
Less: Amount Representing Interest	(73,046)
Present Value of Net Minimum Lease Payments	\$738,265

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

NOTE 17 – TRANSFERS AND INTERFUND BALANCES

Transfers

Transfers in and out during the fiscal year ended June 30, 2023 were as follows:

Fund	Transfer In	Transfer Out
Governmental Funds:		
General Fund	\$0	\$70,000
Other Governmental Funds	70,000	0
Total Governmental Funds	\$70,000	\$70,000

The transfers were to move unrestricted receipts collected in the General Fund to assist funding the School District’s Early Learning Center preschool program.

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 17 – TRANSFERS AND INTERFUND BALANCES

Interfund Balances

At June 30, 2023, the General Fund had interfund receivables of \$100,394 and the other governmental funds had interfund payables of \$100,394. The interfund receivable/payable resulted from an advance from the General Fund to provide working capital for the Idea B and Miscellaneous State grant funds until the grant money was received. The interfund receivable/payable is expected to be repaid within one year. These items are not reflected as assets and liabilities in the accompanying financial statements.

NOTE 18 – TAX ABATEMENT AGREEMENT

The Village of Arcanum has entered into several Community Reinvestment Area (CRA) agreements. Under these agreements, the School District's property taxes were reduced by \$22,445 during calendar year 2023.

NOTE 19 – CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2023.

School Foundation

School District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education and Workforce (DEW) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As of the date of this report, DEW has finalized the impact of enrollment adjustments to the June 30, 2023, Foundation funding for the School District. This resulted in a foundation receivable of \$482 from DEW. This amount is not included on the financial statements.

NOTE 20 - COMPLIANCE

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

Arcanum-Butler Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2023
(Continued)

NOTE 21 – FUND BALANCE

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

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2023, were as follows:

Fund Balance	General	Bond Retirement	Other Governmental Funds	Total
Restricted for:				
Facilities Maintenance			\$714,581	\$714,581
Debt Retirement		\$1,277,399		1,277,399
School Library			4,421	4,421
Special Education			852	852
Tri-County Board Grant			469	469
Food Service Operations			303,187	303,187
Extracurricular Activities			119,247	119,247
Student Activities			44,288	44,288
Student Wellness			203,584	203,584
Connectivity			2,737	2,737
School Safety			256,699	256,699
Local Grants			4,803	4,803
Total Restricted		1,277,399	1,654,868	2,932,267
Committed for:				
Preschool			40,867	40,867
Total Committed			40,867	40,867
Assigned for:				
Subsequent Year Appropriations in Excess of Estimated Resources	\$512,281			\$512,281
Unpaid Obligations	490,068			490,068
Uniform School Supplies	80,132			80,132
Educational Activities	48,657			48,657
Total Assigned	1,131,138			1,131,138
Unassigned	5,666,186			5,666,186
Total Fund Balance	\$6,797,324	\$1,277,399	\$1,695,735	\$9,770,458

NOTE 22 – COVID-19

The United States and the State of Ohio declared a state of emergency March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June 2021 while the national state of emergency ended in April 2023. During fiscal year 2023, the School District received COVID-19 funding. The School District will continue to spend available COVID-19 funding consistent with the applicable program guidelines.

This page intentionally left blank.

ARCANUM-BUTLER LOCAL SCHOOL DISTRICT
DARKE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title	Assistance Listing Number	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	\$ 21,468	
National School Lunch Program:			
National School Lunch Program	10.555	371,372	\$ 35,237
COVID-19 National School Lunch Program	10.555	9,321	
Total National School Lunch Program		<u>380,693</u>	<u>35,237</u>
COVID-19 Special Milk Program for Children	10.556	19,608	
Total Child Nutrition Cluster		<u>421,769</u>	<u>35,237</u>
COVID-19 Pandemic EBT Administrative Costs	10.649	1,242	
Total U.S. Department of Agriculture		<u>423,011</u>	<u>35,237</u>
U.S. DEPARTMENT OF THE TREASURY			
<i>Passed Through Ohio Office of Budget and Management</i>			
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	48,909	
Total U.S. Department of the Treasury		<u>48,909</u>	
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	181,860	
Special Education Cluster (IDEA)			
COVID-19 Special Education Grants to States	84.027X	51,577	
COVID-19 Special Education Preschool Grants	84.173X	3,818	
Total Special Education Cluster (IDEA)		<u>55,395</u>	
COVID-19 Education Stabilization Fund:			
COVID-19 Education Stabilization Fund	84.425D	44,644	
COVID-19 Education Stabilization Fund	84.425U	408,708	
COVID-19 Education Stabilization Fund	84.425W	2,706	
Total COVID-19 Education Stabilization Fund		<u>456,058</u>	
Total U.S. Department of Education		<u>693,313</u>	
Total Expenditures of Federal Awards		<u>\$1,165,233</u>	<u>\$35,237</u>

The accompanying notes are an integral part of this schedule.

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Arcanum-Butler Local School District (the School District) under programs of the federal government for the fiscal year ended June 30, 2023. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position or changes in net position of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE E – FOOD DONATION PROGRAM

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



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

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

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Arcanum-Butler Local School District, Darke County (the School District) as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 6, 2024, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2023-001.

School District's Response to Finding

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

Purpose of This Report

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



Keith Faber
Auditor of State
Columbus, Ohio

March 6, 2024

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

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

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

To the Board of Education:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Arcanum-Butler Local School District's, Darke County, (School District) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Arcanum-Butler Local School District's major federal programs for the fiscal year ended June 30, 2023. Arcanum-Butler Local School District's major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying schedule of findings.

In our opinion, Arcanum-Butler Local School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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



Keith Faber
Auditor of State
Columbus, Ohio

March 6, 2024

This page intentionally left blank.

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2023**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster COVID-19 Education Stabilization Fund (AL # 84.425)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

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

FINDING NUMBER 2023-001

Noncompliance

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

FINDING NUMBER 2023-001
(Continued)

Ohio Admin. Code 117-2-03(B), which further clarifies the requirements of Ohio Rev. Code § 117.38, requires the Entity to file annual financial reports which are prepared using generally accepted accounting principles (GAAP).

The School District prepared financial statements that, although formatted similar to financial statements prescribed by the Governmental Accounting Standards Board, report on the cash basis of accounting rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

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

Officials' Response

Since 2004, the district has been filing GASB 34 OCBOA (Other Cash Basis of Accounting) Financial Statements. The district believes that the cost to prepare and audit other approved formats exceed the benefit. By filing OCBOA statements, the district is able to save thousands of dollars each year.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

None

Arcanum-Butler Local Schools



SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS 2 CFR 200.511(b) JUNE 30, 2023

Administration

Mr. John N. Stephens, Superintendent
Mr. Matthew L. Huffman, Treasurer
Mr. Tyler R. Cates, HS Principal
Mr. Jason L. Vince, MS Principal
Mrs. Joni L. Pechie, EL Principal

Board Members

Mr. Kelly Norris, President
Mr. Mark Trask, Vice President
Mr. Mike Fearon
Mr. Joe LeMaster
Mr. Eric Moore

Finding Number	Finding Summary	Status	Additional Information
2022-001	Ohio Rev. Code section 117.38 and Ohio Admin. Code 117-2-03(B) – The District did not file annual financial reports prepared in accordance with generally accepted accounting principles (GAAP).	Not Corrected. Repeated as Finding 2023-001	On September 20, 2004, the Board of Education unanimously agreed to approve filing on OCBOA (other comprehensive basis of accounting) cash basis year-end report beginning with the fiscal year 2004 filing period. Costs associated with generating and auditing the reports on GAAP basis far exceeds the benefits received by filing GAAP financial reports. By filing OCBOA, the district saves thousands of dollars each year.

2011 Trojan Ave.
Arcanum OH 45304

Phone: 937-692-5174
Fax: 937-692-5959
www.arcanum-butler.k12.oh.us

This page intentionally left blank.

Arcanum-Butler Local Schools



Administration

Mr. John N. Stephens, Superintendent
Mr. Matthew L. Huffman, Treasurer
Mr. Tyler R. Cates, HS Principal
Mr. Jason L. Vince, MS Principal
Mrs. Joni L. Pechie, EL Principal

Board Members

Mr. Kelly Norris, President
Mr. Mark Trask, Vice President
Mr. Mike Fearon
Mr. Joe LeMaster
Mr. Eric Moore

CORRECTIVE ACTION PLAN 2 CFR § 200.511(c) June 30, 2023

Finding Number:

2023-001

Planned Corrective Action:

Arcanum-Butler Local School District has elected to file OCBOA (Other Comprehensive Basis of Accounting) statements due to the cost of effectiveness of filing this alternative form of financial statements. By filing OCBOA statements, the district is able to maintain low statement compilation and audit costs, saving the district thousands of dollars each year.

The district does not plan to correct this finding in the subsequent fiscal year.

Anticipated Completion Date:

Not Applicable

Responsible Contact Person:

Matt Huffman

2011 Trojan Ave.
Arcanum OH 45304

Phone: 937-692-5174
Fax: 937-692-5959
www.arcanum-butler.k12.oh.us

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



ARCANUM-BUTLER LOCAL SCHOOL DISTRICT

DARKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/21/2024

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

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