



Dave Yost • Auditor of State

**BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS
BUTLER COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Butler Technology and Career Development Schools
Butler County
3603 Hamilton Middletown Road
Hamilton, Ohio 45011

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Butler Technology and Career Development Schools, Butler County, Ohio (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Butler Technology and Career Development Schools, Butler County, Ohio, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

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

The schedule is management's responsibility, and derives from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied 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 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 taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

January 18, 2018

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**BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
Year Ended June 30, 2017**

This discussion and analysis provides key information from management highlighting the overall financial performance of the Butler Technology and Career Development Schools ("School District") for the year ended June 30, 2017. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the transmittal letter and the School District's financial statements.

Financial Highlights

Major financial highlights for fiscal year 2017 are listed below:

- The assets and deferred outflows of resources of the School District exceeded its liabilities and deferred inflows of resources at year-end by \$849,400.
- The School District's total net position increased during the fiscal year by \$2,351,529, or 157%.
- The School District's total expenses were \$47,894,976, an increase of \$3,517,442.
- Program revenues of \$7,526,429 reduced the net cost of the School District's functions to be financed from the School District's general revenues to \$40,368,547.
- The School District's General Fund increased by \$373,645, or 2%. The School District's unassigned fund balance of the General Fund totaled \$12,710,111 at the fiscal year end, or 31% of General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave). Both of the government-wide financial statements distinguish functions of the School District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School District include instruction, support services, administration, operation and maintenance of plant, and extracurricular activities. The primary business-type activities of the School District include adult education, food services, school supplies, and rotary activities.

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

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

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

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

Proprietary funds. The School District utilizes enterprise funds, which report the same functions presented as business-type activities in the government-wide financial statements. The School District uses enterprise funds to account for its adult education, food services programs, school supplies, and rotary activities. Enterprise funds provide the same information as the government-wide financial statements, only in more detail.

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

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

Other information. In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information concerning the budget for the General Fund and pensions. Combining statements related to nonmajor governmental and proprietary funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net position at year-end

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>FY2017</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2016</u>
Current and other assets	\$ 36,466,702	34,338,529	1,221,133	1,141,854	37,687,835	35,480,383
Capital assets	54,846,669	53,755,215	503,768	584,284	55,350,437	54,339,499
Total assets	<u>91,313,371</u>	<u>88,093,744</u>	<u>1,724,901</u>	<u>1,726,138</u>	<u>93,038,272</u>	<u>89,819,882</u>
Deferred outflows	<u>11,707,907</u>	<u>5,569,454</u>	<u>1,361,040</u>	<u>608,681</u>	<u>13,068,947</u>	<u>6,178,135</u>
Long-term liabilities:						
Net pension liability	64,705,752	55,342,847	7,189,528	6,149,205	71,895,280	61,492,052
Other long-term liabilities	10,691,363	10,965,181	142,007	157,374	10,833,370	11,122,555
Other liabilities	<u>4,315,776</u>	<u>4,428,712</u>	<u>191,292</u>	<u>179,843</u>	<u>4,507,068</u>	<u>4,608,555</u>
Total liabilities	<u>79,712,891</u>	<u>70,736,740</u>	<u>7,522,827</u>	<u>6,486,422</u>	<u>87,235,718</u>	<u>77,223,162</u>
Deferred inflows	<u>17,601,902</u>	<u>19,578,173</u>	<u>420,199</u>	<u>698,811</u>	<u>18,022,101</u>	<u>20,276,984</u>
Net position:						
Net investment						
in capital assets	45,856,712	44,376,064	503,768	584,284	46,360,480	44,960,348
Restricted:						
For capital purposes	2,164,110	648,639	-	-	2,164,110	648,639
Other purposes	318,955	533,300	-	-	318,955	533,300
Unrestricted (deficit)	<u>(42,633,292)</u>	<u>(42,209,718)</u>	<u>(5,360,853)</u>	<u>(5,434,698)</u>	<u>(47,994,145)</u>	<u>(47,644,416)</u>
Total net position	\$ <u>5,706,485</u>	<u>3,348,285</u>	<u>(4,857,085)</u>	<u>(4,850,414)</u>	<u>849,400</u>	<u>(1,502,129)</u>

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

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

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

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

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

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

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows.

At year-end, investment in capital assets, net of accumulated depreciation and related debt used to acquire the assets were \$46,360,480. These capital assets are used to provide services to the students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Additionally, \$2,483,065 of the School District's net position represents resources that are subject to external restriction on how they may be spent. The external restriction will not affect the availability of fund resources for future use. Primarily as a result of recognizing its proportionate share of net pension liabilities required under GASB 68, the School District's unrestricted net position ended the fiscal year with a total deficit of \$47,994,145.

Total assets increased by about \$3.2 million, or 4%. The majority of this increase occurred in cash and investments and capital assets. The increase in cash and investments is attributable to an increase in State funding, associated with increases in student enrollment, and the completion of several non-capitalizable project costs that were incurred in the prior fiscal year, associated with the Bioscience building. The increase in capital assets is attributable to purchase of the former Americana amusement park property to allow for relocation of programs for more segregation between our adult education and secondary students.

Total liabilities, excluding net pension liabilities, decreased by approximately \$391,000, or 2%. The School District experienced a decrease in accounts payable, as project costs on the Bioscience building wrapped up last fiscal year, and in other long-term liabilities, as the School District continued to meet its debt service requirements. The increase in net pension liability of \$10.4 million was due to decreases in investment earnings in both pension plans during the measurement period.

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

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>FY2017</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2016</u>
Revenues:						
Program revenues:						
Charges for services and sales	\$ 737,131	610,796	4,007,946	4,798,360	4,745,077	5,409,156
Operating grants and contributions	2,011,863	1,935,235	769,489	806,573	2,781,352	2,741,808
Total program revenues	2,748,994	2,546,031	4,777,435	5,604,933	7,526,429	8,150,964
General revenues:						
Property taxes	13,650,245	13,916,352	-	-	13,650,245	13,916,352
Grants and entitlements	28,404,800	26,909,509	-	-	28,404,800	26,909,509
Investment earnings	152,162	129,352	-	-	152,162	129,352
Miscellaneous	512,869	287,223	-	-	512,869	287,223
Total general revenues	42,720,076	41,242,436	-	-	42,720,076	41,242,436
Total revenues	45,469,070	43,788,467	4,777,435	5,604,933	50,246,505	49,393,400
Expenses:						
Instruction	25,125,095	23,564,275	-	-	25,125,095	23,564,275
Support services	16,796,796	15,372,088	-	-	16,796,796	15,372,088
Non-instructional services	749,151	448,857	-	-	749,151	448,857
Interest and fiscal charges	289,828	293,629	-	-	289,828	293,629
Adult education	-	-	4,423,251	4,164,435	4,423,251	4,164,435
Food services	-	-	415,078	396,796	415,078	396,796
Other enterprise	-	-	95,777	137,454	95,777	137,454
Total expenses	42,960,870	39,678,849	4,934,106	4,698,685	47,894,976	44,377,534
Excess before transfers	2,508,200	4,109,618	(156,671)	906,248	2,351,529	5,015,866
Transfers	(150,000)	(250,000)	150,000	250,000	-	-
Change in net position	2,358,200	3,859,618	(6,671)	1,156,248	2,351,529	5,015,866
Beginning net position	3,348,285	(511,333)	(4,850,414)	(6,006,662)	(1,502,129)	(6,517,995)
Ending net position	\$ 5,706,485	3,348,285	(4,857,085)	(4,850,414)	849,400	(1,502,129)

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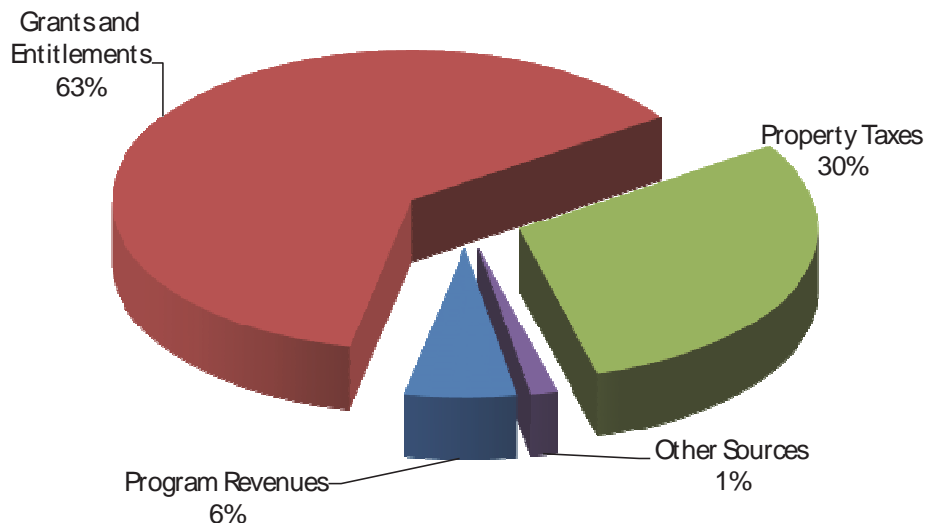
Overall, total revenues of the School District increased by approximately \$853,000, or 2%, from the previous fiscal year. Total expenses increased by approximately \$3.5 million, or 8%, from the previous fiscal year. Significant items that contributed to these changes include the following:

- Grants and entitlements revenue increased by approximately \$1.5 million due to increased State funding associated with an increase in student enrollment, as well as the career tech-weighted funding being taken out of the formula.
- Program revenues decreased by about \$625,000 due to a one-time change in accounting estimate in the prior fiscal year.
- Instruction expenses increased due to program expansion across multiple offerings. Additionally, net pension expenses increased with associated increases in pension liabilities.
- Support service expenses increased due to a semi-new division within the organization for Workforce Services, which included renovating office space, supplies and materials and additional staff.
- Adult education expenses increased by approximately \$259,000, due to increases in net pension expenses associated with increases in net pension liabilities.

Of the total governmental activities revenues of \$45,469,070, \$2,748,994 (6%) is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. The School District's operations are reliant upon its property tax levy and the state's foundation program, with 30% of revenues (\$13,650,245) coming from property tax levies and 63% (\$28,404,800) coming from state funding.

Governmental Activities

Revenue Sources for 2017 Fiscal Year



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Governmental Activities

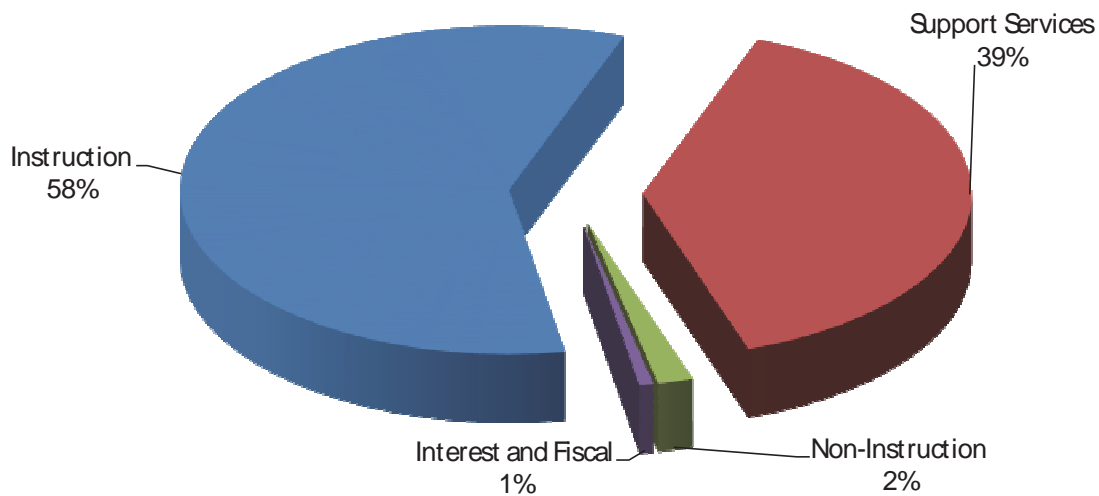
The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 6% of the cost of the general government programs was recouped in program revenues. Instruction costs were \$25,125,095, but program revenue contributed to fund 6% of those costs. Thus, general revenues of \$23,561,834 were used to support the remainder of the instruction costs.

The School District's governmental activities net position increased by \$2,358,200.

Governmental Activities

	<u>Total Cost of Services</u>	<u>Program Revenue</u>	<u>Revenues as a % of Total Costs</u>	<u>Net Cost of Services</u>
Instruction	\$ 25,125,095	1,563,261	6%	23,561,834
Support services	16,796,796	1,185,733	7%	15,611,063
Non-instructional services	749,151	-	0%	749,151
Interest and fiscal charges	289,828	-	0%	289,828
Total	\$ 42,960,870	2,748,994	6%	40,211,876

Governmental Activities
 Cost of Services by Category for 2017 Fiscal Year



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Business-type Activities

The following table presents the total cost of each of the School District's business segments and the net cost after deducting the revenues generated by each segment. Overall, the decrease in net position of \$6,671 compared to the increase in net position of \$1,156,248 in the prior fiscal year was due to a one-time change in accounting estimate in the prior fiscal year, combined with increases in net pension expenses associated with increases in net pension liabilities in the current fiscal year.

Business-type Activities					
		Total Cost of Services	Program Revenue	Revenues as a % of Total Costs	Net Cost (Revenue) of Services
Adult education	\$	4,423,251	4,300,129	97%	123,122
Food services		415,078	370,228	89%	44,850
Other enterprise		<u>95,777</u>	<u>107,078</u>	112%	<u>(11,301)</u>
Total	\$	<u>4,934,106</u>	<u>4,777,435</u>	<u>97%</u>	<u>156,671</u>

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The School District has one major governmental fund: the General Fund. Assets of this fund comprise \$34,255,675 (92%) of the total \$37,384,248 governmental funds' assets. The following provides an analysis of the General Fund:

The General Fund's fund balance at June 30, 2017 was \$15,998,580, including \$12,710,111 of unassigned balance, which represents 31% of General Fund expenditures for fiscal year 2017. The General Fund balance increased \$373,645, or 2%, from the previous year due to an increase in State funding, yet partially offset by increases in instruction and support services previously discussed.

Proprietary funds

The School District has one major proprietary fund – the Adult Education Fund. Net position at June 30, 2017 was a deficit of \$5.3 million. The Adult Education Fund experienced a decrease in fund net position of \$123,122, compared to an increase of \$312,950 in fiscal year 2016, due to increases in net pension expenses associated with increases in net pension liabilities.

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GENERAL FUND BUDGETARY HIGHLIGHTS

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. The schedule comparing the School District's original and final budgets and actual results are included in the required supplementary information after the Notes to the Basic Financial Statements.

For the 2017 year, actual revenues exceeded estimates by 7%. Actual expenditures for the year were approximately 6% less than budgeted. The budget for intergovernmental revenue came in higher than from the original and final budgets due to due to unanticipated increases in State funding associated with increases student enrollment. The expenditure budget increased from the original to the final budget, due to planned capital spending.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At June 30, 2017, the School District had \$55,350,437 invested in a broad range of capital assets, including land, buildings, equipment, vehicles and construction in progress. The Bioscience project was completed during the fiscal year and was placed into service. See Note 5 to the financial statements for more detail.

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

		<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
		<u>FY2017</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2016</u>	<u>FY2017</u>	<u>FY2016</u>
Land	\$	5,452,691	4,810,261	-	-	5,452,691	4,810,261
Land improvements		1,203,510	1,355,223	-	-	1,203,510	1,355,223
Building and improvements		44,391,227	43,887,489	54,241	57,927	44,445,468	43,945,416
Furniture and equipment		3,473,993	3,378,633	428,249	501,471	3,902,242	3,880,104
Vehicles		325,248	310,505	21,278	24,886	346,526	335,391
Books		-	13,104	-	-	-	13,104
Total	\$	<u>54,846,669</u>	<u>53,755,215</u>	<u>503,768</u>	<u>584,284</u>	<u>55,350,437</u>	<u>54,339,499</u>

Debt

During fiscal year 2014, the School District issued \$8.1 million in general obligation bonds to refinance \$3 million in outstanding bond anticipation notes and finance construction of a new bioscience building. The School District also issued \$1.935 million in general obligation bonds to finance energy conservation improvements. The amount outstanding as of June 30, 2017 was \$8.8 million, with \$385,000 due in December 2017.

The School District utilized a section of the Ohio Revised Code that permits school districts to issue unvoted indebtedness not to exceed 1/10 of 1% of the property valuation of the School District. See Note 10 to the financial statements.

ECONOMIC FACTORS

The School District's decline in the assessed valuation of the local tax base has stabilized over the past couple years, and although there wasn't significant growth, there also wasn't a significant decline that had been previously experienced. State funding, which was based upon House Bill 64 was passed in June 2015 for fiscal year 2016 and 2017 funding. A "guarantee" and "gains cap" remained in place for the funding formula along with the base dollar amount and weighted amounts slightly changing. What used to be known as the "October count" changed to a more "percent of time educated" model which has had an impact on career centers. This coupled with a change in the way credits are viewed and the "five credit hour rule" has complicated State funding for career centers. Starting in fiscal year 2017, the weighted or "tiered" funding fell outside of the guarantee and cap which either increased or decreased overall State funding for career centers depending on enrollment and programming offered, even if they have historically been on the guarantee, flat funded, or capped.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. Anyone having questions about this report or need additional financial information may contact Paul Carpenter, Chief Financial Officer for the Butler Technology and Career Development Schools at 3603 Hamilton-Middletown Road, Hamilton, OH, 45011 or by phone at 513-868-1911.

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BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO

Statement of Net Position

June 30, 2017

	Governmental Activities	Business- Type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 21,911,505	\$ 1,077,759	\$ 22,989,264
Receivables:			
Taxes	14,219,603	-	14,219,603
Accounts	133,153	143,374	276,527
Intergovernmental	137,830	-	137,830
Interest	64,611	-	64,611
Nondepreciable capital assets	5,452,691	-	5,452,691
Depreciable capital assets, net	<u>49,393,978</u>	<u>503,768</u>	<u>49,897,746</u>
Total assets	<u>91,313,371</u>	<u>1,724,901</u>	<u>93,038,272</u>
Deferred Outflows of Resources:			
Pensions	<u>11,707,907</u>	<u>1,361,040</u>	<u>13,068,947</u>
Liabilities:			
Accounts payable	519,317	78,154	597,471
Accrued wages and benefits	3,771,672	113,138	3,884,810
Accrued interest payable	24,787	-	24,787
Long-term liabilities:			
Due within one year	553,999	25,563	579,562
Due more than one year:			
Net pension liability	64,705,752	7,189,528	71,895,280
Other amounts due more than one year	<u>10,137,364</u>	<u>116,444</u>	<u>10,253,808</u>
Total liabilities	<u>79,712,891</u>	<u>7,522,827</u>	<u>87,235,718</u>
Deferred Inflows of Resources:			
Pensions	3,781,791	420,199	4,201,990
Taxes levied for next fiscal year	<u>13,820,111</u>	<u>-</u>	<u>13,820,111</u>
Total deferred inflows of resources	<u>17,601,902</u>	<u>420,199</u>	<u>18,022,101</u>
Net Position:			
Net investment in capital assets	45,856,712	503,768	46,360,480
Restricted for:			
Capital projects	2,164,110	-	2,164,110
Local grant programs	53,331	-	53,331
State grant programs	140,054	-	140,054
Federal grant programs	125,570	-	125,570
Unrestricted (deficit)	<u>(42,633,292)</u>	<u>(5,360,853)</u>	<u>(47,994,145)</u>
Total net position	<u>\$ 5,706,485</u>	<u>\$ (4,857,085)</u>	<u>\$ 849,400</u>

See accompanying notes to the basic financial statements.

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO

Statement of Activities
Year Ended June 30, 2017

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction:						
Vocational education	\$ 24,835,068	\$ 737,131	\$ 826,130	\$ (23,271,807)	\$ -	\$ (23,271,807)
Other	290,027	-	-	(290,027)	-	(290,027)
Support services:						
Pupil	2,061,377	-	736,605	(1,324,772)	-	(1,324,772)
Instructional staff	3,418,421	-	167,738	(3,250,683)	-	(3,250,683)
General administration	139,254	-	-	(139,254)	-	(139,254)
School administration	1,971,470	-	134,299	(1,837,171)	-	(1,837,171)
Fiscal	1,320,513	-	-	(1,320,513)	-	(1,320,513)
Business	205,602	-	-	(205,602)	-	(205,602)
Operation and maintenance of plant	4,437,023	-	-	(4,437,023)	-	(4,437,023)
Pupil transportation	93,190	-	-	(93,190)	-	(93,190)
Central	3,149,946	-	147,091	(3,002,855)	-	(3,002,855)
Non-instructional services:						
Extracurricular activities	727,881	-	-	(727,881)	-	(727,881)
Community service	21,270	-	-	(21,270)	-	(21,270)
Interest and fiscal charges	289,828	-	-	(289,828)	-	(289,828)
Total Governmental Activities	<u>42,960,870</u>	<u>737,131</u>	<u>2,011,863</u>	<u>(40,211,876)</u>	<u>-</u>	<u>(40,211,876)</u>
Business-Type Activities:						
Food service	415,078	241,069	129,159	-	(44,850)	(44,850)
Adult education	4,423,251	3,659,799	640,330	-	(123,122)	(123,122)
Other enterprise activities	95,777	107,078	-	-	11,301	11,301
Total Business-Type Activities	<u>4,934,106</u>	<u>4,007,946</u>	<u>769,489</u>	<u>-</u>	<u>(156,671)</u>	<u>(156,671)</u>
	<u>\$ 47,894,976</u>	<u>\$ 4,745,077</u>	<u>\$ 2,781,352</u>	<u>(40,211,876)</u>	<u>(156,671)</u>	<u>(40,368,547)</u>
General Revenues:						
Property taxes levied for general purposes				13,650,245	-	13,650,245
Grants and entitlements				28,404,800	-	28,404,800
Investment earnings				152,162	-	152,162
Miscellaneous				512,869	-	512,869
Transfers				(150,000)	150,000	-
Total general revenues and transfers				42,570,076	150,000	42,720,076
Change in net position				2,358,200	(6,671)	2,351,529
Net position beginning of year				3,348,285	(4,850,414)	(1,502,129)
Net position end of year				<u>\$ 5,706,485</u>	<u>\$ (4,857,085)</u>	<u>\$ 849,400</u>

See accompanying notes to the basic financial statements.

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO

Balance Sheet

Governmental Funds

June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and investments	\$ 18,920,762	\$ 2,990,743	\$ 21,911,505
Receivables:			
Taxes	14,219,603	-	14,219,603
Accounts	133,153	-	133,153
Accrued interest	64,611	-	64,611
Intergovernmental	-	137,830	137,830
Interfund receivable	917,546	-	917,546
Total assets	<u>\$ 34,255,675</u>	<u>\$ 3,128,573</u>	<u>\$ 37,384,248</u>
Liabilities:			
Accounts payable	\$ 417,866	\$ 101,451	\$ 519,317
Accrued wages and benefits	3,729,476	42,196	3,771,672
Interfund payable	-	917,546	917,546
Compensated absences payable	87,983	-	87,983
Total liabilities	<u>4,235,325</u>	<u>1,061,193</u>	<u>5,296,518</u>
Deferred Inflows of Resources:			
Taxes levied for next fiscal year	13,820,111	-	13,820,111
Unavailable revenue	201,659	125,570	327,229
Total deferred inflows of resources	<u>14,021,770</u>	<u>125,570</u>	<u>14,147,340</u>
Fund Balances:			
Restricted	1,813,437	2,363,915	4,177,352
Committed	306,494	-	306,494
Assigned	1,168,538	-	1,168,538
Unassigned	12,710,111	(422,105)	12,288,006
Total fund balances	<u>15,998,580</u>	<u>1,941,810</u>	<u>17,940,390</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 34,255,675</u>	<u>\$ 3,128,573</u>	<u>\$ 37,384,248</u>

See accompanying notes to the basic financial statements.

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2017

Total Governmental Fund Balances	\$ 17,940,390
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	54,846,669
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Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	327,229
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Bonds payable	8,815,000	
Unamortized premiums	174,957	
Compensated absences	1,613,423	
Accrued interest	24,787	(10,628,167)

The net pension liability is not due and payable in the current period, therefore, the liability and related deferred outflows and inflows of resources are not reported in the governmental funds:

Deferred outflows - pensions	11,707,907	
Deferred inflows - pensions	(3,781,791)	
Net pension liability	(64,705,752)	(56,779,636)

Net Position of Governmental Activities	<u><u>\$ 5,706,485</u></u>
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See accompanying notes to the basic financial statements.

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2017

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 13,644,859	\$ -	\$ 13,644,859
Tuition and fees	737,131	-	737,131
Investment income	140,323	7,356	147,679
Intergovernmental	28,404,800	2,195,698	30,600,498
Miscellaneous	453,414	59,455	512,869
Total revenues	<u>43,380,527</u>	<u>2,262,509</u>	<u>45,643,036</u>
Expenditures:			
Current:			
Instruction:			
Vocational education	22,713,649	618,266	23,331,915
Other	-	278,943	278,943
Support services:			
Pupil	1,126,614	914,070	2,040,684
Instructional staff	3,180,412	198,714	3,379,126
General administration	137,116	-	137,116
School administration	1,759,730	138,076	1,897,806
Fiscal	1,210,446	-	1,210,446
Business	186,996	-	186,996
Operation and maintenance of plant	3,768,247	-	3,768,247
Pupil transportation	76,848	-	76,848
Central	2,773,278	157,837	2,931,115
Non-instructional services:			
Extracurricular	727,881	-	727,881
Community service	21,270	-	21,270
Capital outlay	2,970,056	48,576	3,018,632
Debt Service:			
Principal	-	380,000	380,000
Interest and fiscal charges	-	299,339	299,339
Total expenditures	<u>40,652,543</u>	<u>3,033,821</u>	<u>43,686,364</u>
Excess of revenues over (under) expenditures	<u>2,727,984</u>	<u>(771,312)</u>	<u>1,956,672</u>
Other financing sources (uses):			
Transfers in	-	2,204,339	2,204,339
Transfers out	(2,354,339)	-	(2,354,339)
Total other financing sources (uses)	<u>(2,354,339)</u>	<u>2,204,339</u>	<u>(150,000)</u>
Net change in fund balances	373,645	1,433,027	1,806,672
Fund balance, beginning of year	15,624,935	508,783	16,133,718
Fund balance, end of year	<u>\$ 15,998,580</u>	<u>\$ 1,941,810</u>	<u>\$ 17,940,390</u>

See accompanying notes to the basic financial statements.

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

Net Change in Fund Balances - Total Governmental Funds	\$	1,806,672
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions		3,681,133
Depreciation expense		(2,582,379)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(173,966)
In the statement of activities, loss on disposal of capital assets is reported, whereas only proceeds from sales are reported in the funds.		(7,300)
Some expenses reported in the statement of activities do not require the use current financial resources and therefore are not reported expenditures in governmental funds:		
Compensated absences		(38,531)
Interest on long-term debt		317
Amortization of bond premiums		9,194
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		380,000
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		3,188,861
Except for amounts reported as deferred outflows or inflows of resources, changes in the net pension liability are reported as pension expense in the statement of activities.		<u>(3,905,801)</u>
Change in Net Position of Governmental Activities	\$	<u>2,358,200</u>

See accompanying notes to the basic financial statements.

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO

Statement of Net Position

Enterprise Funds

June 30, 2017

	Adult Education Fund	Other Enterprise Funds	Total
Assets:			
Current assets:			
Equity in pooled cash and investments	\$ 657,539	\$ 420,220	\$ 1,077,759
Receivables:			
Accounts	143,374	-	143,374
Total current assets	<u>800,913</u>	<u>420,220</u>	<u>1,221,133</u>
Noncurrent assets:			
Capital assets, net	503,768	-	503,768
Total assets	<u>1,304,681</u>	<u>420,220</u>	<u>1,724,901</u>
Deferred Outflows of Resources:			
Pensions	<u>1,361,040</u>	<u>-</u>	<u>1,361,040</u>
Liabilities:			
Current liabilities:			
Accounts payable	68,401	9,753	78,154
Accrued wages and benefits	104,143	8,995	113,138
Compensated absences	25,563	-	25,563
Total current liabilities	<u>198,107</u>	<u>18,748</u>	<u>216,855</u>
Long-term liabilities:			
Compensated absences	116,444	-	116,444
Net pension liability	7,189,528	-	7,189,528
Total liabilities	<u>7,504,079</u>	<u>18,748</u>	<u>7,522,827</u>
Deferred Inflows of Resources:			
Pensions	<u>420,199</u>	<u>-</u>	<u>420,199</u>
Net Position:			
Investment in capital assets	503,768	-	503,768
Unrestricted (deficit)	<u>(5,762,325)</u>	<u>401,472</u>	<u>(5,360,853)</u>
Total net position	<u>\$ (5,258,557)</u>	<u>\$ 401,472</u>	<u>\$ (4,857,085)</u>

See accompanying notes to the basic financial statements.

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Position

Enterprise Funds

Year Ended June 30, 2017

	Adult Education Fund	Other Enterprise Funds	Total
Operating revenues:			
Charges for services	\$ 3,653,080	\$ 292,633	\$ 3,945,713
Other operating revenues	<u>6,719</u>	<u>55,514</u>	<u>62,233</u>
Total operating revenues	<u>3,659,799</u>	<u>348,147</u>	<u>4,007,946</u>
Operating expenses:			
Salaries and wages	2,324,263	-	2,324,263
Fringe benefits	699,169	-	699,169
Contractual services	716,387	476,325	1,192,712
Materials and supplies	565,656	34,400	600,056
Depreciation	90,044	-	90,044
Other expenses	<u>27,732</u>	<u>130</u>	<u>27,862</u>
Total operating expenses	<u>4,423,251</u>	<u>510,855</u>	<u>4,934,106</u>
Operating loss	(763,452)	(162,708)	(926,160)
Nonoperating revenues:			
State and federal grants	640,330	127,936	768,266
Interest income	<u>-</u>	<u>1,223</u>	<u>1,223</u>
Total nonoperating revenues	<u>640,330</u>	<u>129,159</u>	<u>769,489</u>
Net loss before transfers	(123,122)	(33,549)	(156,671)
Transfers in	<u>-</u>	<u>150,000</u>	<u>150,000</u>
Change in net position	(123,122)	116,451	(6,671)
Net position, beginning of year	<u>(5,135,435)</u>	<u>285,021</u>	<u>(4,850,414)</u>
Net position, end of year	<u>\$ (5,258,557)</u>	<u>\$ 401,472</u>	<u>\$ (4,857,085)</u>

See accompanying notes to the basic financial statements.

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO

Statement of Cash Flows

Enterprise Funds

Year Ended June 30, 2017

	Adult Education Fund	Other Enterprise Funds	Total
Cash flows from operating activities:			
Cash received from customers	\$ 3,570,001	\$ 292,813	\$ 3,862,814
Cash received from other operating sources	6,719	55,514	62,233
Cash payments for personal services	(3,020,106)	-	(3,020,106)
Cash payments for contract services	(685,110)	(493,453)	(1,178,563)
Cash payments for supplies and materials	(577,697)	(34,400)	(612,097)
Cash payments for other expenses	(27,732)	(130)	(27,862)
Net cash from operating activities	<u>(733,925)</u>	<u>(179,656)</u>	<u>(913,581)</u>
Cash flows from noncapital financing activities:			
Transfers	-	150,000	150,000
Cash received from state and federal grants	640,330	127,936	768,266
Net cash from noncapital financing activities	<u>640,330</u>	<u>277,936</u>	<u>918,266</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(9,528)</u>	-	<u>(9,528)</u>
Cash flows from investing activities:			
Investment income	<u>-</u>	<u>1,223</u>	<u>1,223</u>
Net change in cash and investments	(103,123)	99,503	(3,620)
Cash and investments at beginning of year	760,662	320,717	1,081,379
Cash and investments at end of year	<u>\$ 657,539</u>	<u>\$ 420,220</u>	<u>\$ 1,077,759</u>
Reconciliation of operating loss to net cash from operating activities:			
Operating loss	\$ (763,452)	\$ (162,708)	\$ (926,160)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	90,044	-	90,044
Changes in assets, liabilities and deferrals:			
Accounts receivable	(83,079)	180	(82,899)
Accounts payable	19,236	(16,974)	2,262
Accrued wages and benefits	9,341	(154)	9,187
Compensated absences payable	(15,367)	-	(15,367)
Net pension liability	1,040,323	-	1,040,323
Deferred outflows - pensions	(752,359)	-	(752,359)
Deferred inflows - pensions	(278,612)	-	(278,612)
Net cash from operating activities	<u>\$ (733,925)</u>	<u>\$ (179,656)</u>	<u>\$ (913,581)</u>

See accompanying notes to the basic financial statements.

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO

Statement of Net Position

Fiduciary Funds

June 30, 2017

	<u>Private Purpose Trust Fund</u>	<u>Agency Funds</u>
Assets		
Equity in pooled cash and investments	\$ 194,236	\$ 6,189,408
Intergovernmental receivable	<u>-</u>	<u>3,432</u>
Total assets	<u>194,236</u>	<u>6,192,840</u>
Liabilities		
Due to student groups	-	331,651
Due to other governments	<u>-</u>	<u>5,861,189</u>
Total liabilities	<u>-</u>	<u>\$ 6,192,840</u>
Net Position		
Held in trust	<u>\$ 194,236</u>	

See accompanying notes to the basic financial statements.

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

Year Ended June 30, 2017

	<u>Private- Purpose Trust Fund</u>
Additions:	
Investment income	\$ 1,232
Contributions	<u>1,159</u>
Total additions	<u>2,391</u>
Deductions:	
Benefits	<u>26,319</u>
Total deductions	<u>26,319</u>
Change in net position	(23,928)
Net position, beginning of year	<u>218,164</u>
Net position, end of year	<u>\$ 194,236</u>

See accompanying notes to the basic financial statements.

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BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District is a joint vocational school district organized under Section 3311.18 of the Ohio Revised Code. The School District provides vocational education for ten school districts serving an eligible student population of approximately 27,000 throughout southwestern Ohio. The School District fosters cooperative relationships with business and industry, professional organizations, participating school districts, and other interested, concerned groups and organizations to consider, plan and implement educational programs designed to meet the common needs and interests of students.

The reporting entity is comprised of the primary government. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The School District serves as fiscal agent for legally separate Southwest Ohio Computer Association (SWOCA), but is not financially accountable. Therefore, SWOCA has been included in the School District's financial statements as an agency fund.

B. Basis of Presentation

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

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

B. Basis of Presentation - *continued*

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

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

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

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

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

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

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

C. Fund Accounting

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

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

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

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

Adult Education Fund - Accounts for revenues and expenses involved in upgrading and retraining out-of-school youth and adults for the purpose of improving their skills and knowledge in their current or planned occupation.

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

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made.

The modified accrual basis of accounting is used by the governmental funds. On a modified accrual basis, revenues are recorded when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end. Under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, student fees, and grants.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable except for unmatured principal and interest on general long-term debt which is recognized when due. Allocations of cost, such as depreciation, are not recognized in the governmental funds.

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

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

Non-exchange transactions, in which the School District receives value without directly giving value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes were levied.

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

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

D. Basis of Accounting - *continued*

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

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds are maintained in this account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the balance sheet. During 2017, investments were limited to federal agency securities, commercial paper, U.S. Treasuries, STAR Ohio, and money market funds.

The Governmental Accounting Standards Board Statement No. 72 (GASB 72), "Fair Value Measurement and Application", requires that investments, with certain exceptions, be recorded at their fair value and that changes in the fair value be reported in the operating statement. The School District recorded investments held at June 30, 2017 at the fair value.

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

For purposes of the statement of cash flows and for presentation on the balance sheet, investments of the 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 considered to be cash equivalents.

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

F. Capital Assets

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

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

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

Buildings and improvements	20-40 years
Furniture and equipment	3-10 years
Vehicles	10 years

G. Interfund Balances

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

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

H. Compensated Absences

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

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

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

H. Compensated Absences - *continued*

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

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

Governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources with the exception of compensated absences as noted above.

J. Pensions

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

K. Fund Balances

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

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in a spendable form, or legally or contractually required to be maintained intact. The “not in a spendable form” criterion includes items that are not expected to be converted to cash. The School District did not have any nonspendable balances at year-end.

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.

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

K. Fund Balances - *continued*

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the School District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education. State statute authorizes the Chief Financial Officer to assign fund balance for purchases on order provided those amounts have been lawfully appropriated.

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

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

L. Net Position

Net position represents assets and deferred outflows of resources, reduced by liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—*continued*

L. Net Position - *continued*

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

M. Estimates

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

2. DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including pass book accounts. Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, or by a single collateral pool established by the financial institution to secure the repayment of all public monies on deposit.

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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

2. DEPOSITS AND INVESTMENTS—*continued*

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

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

The State Treasury Assets Reserve of Ohio (STAR Ohio), is an investment pool managed by the State Treasurer's Office that 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 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 a NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

2. DEPOSITS AND INVESTMENTS—*continued*

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

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's custodial credit risk policy requires that deposits be collateralized as required by ORC Chapter 135. At year-end, \$11,497,391 of the School District's bank balance of \$12,864,558 was exposed to custodial credit risk since it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Investments

The School District's investments at June 30, 2017 are summarized as follows:

	Balance at 6/30/17	Weighted Average Maturity (Years)	Concentration of Credit Risk
FHLB	\$ 2,039,649	1.76	12.06%
FNMA	2,781,680	2.51	16.45%
FFCB	1,739,733	1.79	10.29%
FHLMC	3,090,706	2.77	18.28%
Commercial paper	1,181,248	0.24	6.98%
U.S. Treasury	1,530,333	2.79	9.04%
STAR Ohio	4,542,551	n/a	26.86%
U.S. Money market	6,036	n/a	0.04%
	<u>\$ 16,911,936</u>	<u>-</u>	<u>100.00%</u>

Credit Risk

It is the School District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings by nationally recognized statistical rating organizations. The School District's investments in U.S. Agency securities were rated AA+ by Standard & Poor's and Aaa by Moody's. Investments in commercial paper were rated A1+ by Standard & Poor's and P-1 by Moody's. Investments in STAR Ohio were rated AAAM by Standard & Poor's.

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

2. DEPOSITS AND INVESTMENTS—*continued*

Concentration of Credit Risk

The School District's policy places no limit on the amount it may invest in any one issuer.

Interest Rate Risk

In accordance with the investment policy, the School District manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to five years.

Fair Value Measurements

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The School District had the following reoccurring fair value measurements as of June 30, 2017:

<u>Investments by Fair Value Level</u>	<u>Balance at 6/30/17</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
U.S. Agency Obligations	\$ 9,651,768	\$ -	\$ 9,651,768	\$ -
Commercial paper	1,181,248	-	1,181,248	-
U.S. Treasury	1,530,333	1,530,333	-	-
STAR Ohio (net asset value)	4,542,551	n/a	n/a	n/a
U.S. Money market (amortized cost)	6,036	n/a	n/a	n/a
	<u>\$ 16,911,936</u>	<u>\$ 1,530,333</u>	<u>\$ 10,833,016</u>	<u>\$ -</u>

Investments classified in Level 1 of the fair value hierarchy are valued using quoted market prices. Investments classified in Level 2 of the fair value hierarchy are valued using pricing sources, as provided by the investment managers.

3. PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of the prior January 1, 2016, the lien date. Assessed values for 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 alternative payment dates to be established.

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

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

3. PROPERTY TAXES—continued

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes that became measurable as of June 30, 2017. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations.

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

	<u>2016 Second- Half Collections</u>		<u>2017 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 7,607,422,480	93.55%	\$ 7,688,131,080	93.50%
Public Utility	<u>524,896,620</u>	6.45%	<u>534,809,080</u>	6.50%
Total Assessed Value	<u>\$ 8,132,319,100</u>	100.00%	<u>\$ 8,222,940,160</u>	100.00%
Tax rate per \$1,000 of assessed valuation	\$1.93		\$1.93	

4. INTERFUND TRANSACTIONS

Interfund transactions for the year ended June 30, 2017, consisted of the following:

	<u>Interfund</u>		<u>Transfers</u>	
	<u>Receivables</u>	<u>Payables</u>	<u>In</u>	<u>Out</u>
General Fund	\$ 917,546	\$ -	\$ -	\$ 2,354,339
Other Governmental Funds	-	917,546	2,204,339	-
Other Enterprise Funds	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>-</u>
Total	<u>\$ 917,546</u>	<u>\$ 917,546</u>	<u>\$ 2,354,339</u>	<u>\$ 2,354,339</u>

The interfund loans were made to provide operating capital. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) maintain debt service.

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

5. CAPITAL ASSETS

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

	Balance 7/1/16	Additions	Disposals	Balance 6/30/17
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 4,810,261	\$ 642,430	\$ -	\$ 5,452,691
Capital assets being depreciated:				
Land improvements	2,815,503	-	-	2,815,503
Building and improvements	62,730,987	2,168,180	-	64,899,167
Furniture and equipment	14,624,596	786,723	(10,726)	15,400,593
Vehicles	1,170,318	83,800	-	1,254,118
Books	500,516	-	-	500,516
Subtotal	<u>81,841,920</u>	<u>3,038,703</u>	<u>(10,726)</u>	<u>84,869,897</u>
Totals at historical cost	<u>86,652,181</u>	<u>3,681,133</u>	<u>(10,726)</u>	<u>90,322,588</u>
Less accumulated depreciation:				
Land improvements	1,460,280	151,713	-	1,611,993
Building and improvements	18,843,498	1,664,442	-	20,507,940
Furniture and equipment	11,245,963	684,063	(3,426)	11,926,600
Vehicles	859,813	69,057	-	928,870
Books	487,412	13,104	-	500,516
Total accumulated depreciation	<u>32,896,966</u>	<u>2,582,379</u>	<u>(3,426)</u>	<u>35,475,919</u>
Capital assets, net	<u>\$ 53,755,215</u>	<u>\$ 1,098,754</u>	<u>\$ (7,300)</u>	<u>\$ 54,846,669</u>

	Balance 7/1/16	Additions	Disposals	Balance 6/30/17
Business-type Activities:				
Building and improvements	\$ 83,731	\$ -	\$ -	\$ 83,731
Furniture and equipment	1,518,032	9,528	-	1,527,560
Vehicles	133,018	-	-	133,018
Totals at historical cost	<u>1,734,781</u>	<u>9,528</u>	<u>-</u>	<u>1,744,309</u>
Less accumulated depreciation:				
Building and improvements	25,804	3,686	-	29,490
Furniture and equipment	1,016,561	82,750	-	1,099,311
Vehicles	108,132	3,608	-	111,740
Total accumulated depreciation	<u>1,150,497</u>	<u>90,044</u>	<u>-</u>	<u>1,240,541</u>
Capital assets, net	<u>\$ 584,284</u>	<u>\$ (80,516)</u>	<u>\$ -</u>	<u>\$ 503,768</u>

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

5. CAPITAL ASSETS—*continued*

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Vocational education	\$ 1,919,890
Support services:	
Pupil	1,797
Instructional staff	1,247
School administration	13,540
Fiscal	4,155
Business	556
Operation and maintenance of plant	497,851
Pupil transportation	9,896
Central	133,447
Total depreciation expense	<u>\$ 2,582,379</u>

Depreciation expense of \$90,044 was charged to the adult education segment.

6. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the School District contracted with the Ohio School Plan for general liability insurance with \$3,000,000 each occurrence limit and a \$5,000,000 aggregate. Buildings, contents and school vehicles are protected through a local insurance agent. There were no significant reductions in insurance coverage in the prior year. Settlements have not exceeded insurance coverage during the past three fiscal years.

The School District participates in the Butler Health Plan (BHP), a group insurance purchasing pool, in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Trustee provides insurance policies in whole or in part through one or more group insurance policies.

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria.

7. PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

7. PENSION PLANS—continued

Age and service requirements for retirement are as follows:

Benefits	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Age 65 with 5 years of service credit; or Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

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

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

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

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

The School District’s contractually required contribution to SERS was \$739,619 for fiscal year 2017.

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.

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

7. PENSION PLANS—*continued*

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

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

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

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

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

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

7. PENSION PLANS—*continued*

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased 1% July 1, 2014, and was increased 1% each year until it reached 14% on July 1, 2016. For the fiscal year ended June 30, 2017, plan members were required to contribute 14% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was approximately \$2,863,722 for fiscal year 2017.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate Share of the Net Pension Liability	\$14,291,888	\$57,603,392	\$71,895,280
Proportion of the Net Pension Liability	0.195268986%	0.172089050%	
Change in Proportion	-0.003839614%	-0.009300350%	
Pension Expense	\$1,399,895	\$2,929,738	\$4,329,633

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

7. PENSION PLANS—continued

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

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 192,764	\$ 2,327,453	\$ 2,520,217
Net difference between projected and actual earnings on pension plan investments	1,178,874	4,782,629	5,961,503
Change in assumptions	954,062	-	954,062
Change in School District's proportionate share and difference in employer contributions	29,824	-	29,824
School District's contributions subsequent to the measurement date	<u>739,619</u>	<u>2,863,722</u>	<u>3,603,341</u>
Total Deferred Outflows of Resources	<u>\$ 3,095,143</u>	<u>\$ 9,973,804</u>	<u>\$ 13,068,947</u>
Deferred Inflows of Resources			
Change in School District's proportionate share and difference in employer contributions	<u>\$ 225,129</u>	<u>\$ 3,976,861</u>	<u>\$ 4,201,990</u>

\$3,603,341 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2018	\$ 513,207	\$ (19,917)	\$ 493,290
2019	512,358	(19,917)	492,441
2020	765,952	1,815,311	2,581,263
2021	<u>338,878</u>	<u>1,357,744</u>	<u>1,696,622</u>
	<u>\$ 2,130,395</u>	<u>\$ 3,133,221</u>	<u>\$ 5,263,616</u>

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

7. 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, 2016, are presented below:

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

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

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

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

7. PENSION PLANS—continued

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$18,921,569	\$14,291,888	\$10,416,652

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

7. PENSION PLANS—continued

Change in Assumptions – The following changes in actuarial assumptions were made during the June 30, 2016 actuarial valuation period:

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

Actuarial Assumptions - STRS

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

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

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

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

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

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

7. PENSION PLANS—continued

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

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

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

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$76,550,228	\$57,603,392	\$41,620,620

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

7. PENSION PLANS—continued

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

Social Security System

All employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2017, some members of the Board of Education have elected Social Security. The School District's liability is 6.2% of wages paid.

8. POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder for the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2017, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute, no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for health care surcharge. For fiscal year 2017, this amount was \$23,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For fiscal year 2017, the School District's surcharge obligation was \$24,199.

None of the 14% employer contribution was allocated to the Health Care Fund for the fiscal years 2017 or 2016. The School District's contributions for health care for the fiscal year June 30, 2015 was \$55,000.

8. POSTEMPLOYMENT BENEFITS—*continued*

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

State Teachers Retirement System

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

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

9. EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one fourth days per month. Sick leave may be accumulated up to maximum of 225 days for teachers and classified staff and 230 days for administrators. Upon retirement, payment is made for 35% of the employee's accumulated sick leave.

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

10. LONG-TERM LIABILITIES

The changes in the School District's long-term liabilities during fiscal year 2017 were as follows:

	Principal Outstanding 7/1/16	Additions	Reductions	Principal Outstanding 6/30/17	Amounts Due in One Year
Governmental Activities:					
General obligation bonds:					
School Improvement	\$ 7,525,000	\$ -	\$ (255,000)	\$ 7,270,000	\$ 260,000
Energy Conservation	1,670,000	-	(125,000)	1,545,000	125,000
Unamortized premiums	184,151	-	(9,194)	174,957	-
Compensated absences	1,586,030	332,622	(217,246)	1,701,406	168,999
Net pension liability:					
STRS	45,117,650	6,725,403	-	51,843,053	-
SERS	10,225,197	2,637,502	-	12,862,699	-
Total	<u>\$66,308,028</u>	<u>\$ 9,695,527</u>	<u>\$ (606,440)</u>	<u>\$75,397,115</u>	<u>\$ 553,999</u>
Business-type Activities:					
Compensated absences	\$ 157,374	\$ 8,288	\$ (23,655)	\$ 142,007	\$ 25,563
Net pension liability:					
STRS	5,013,072	747,267	-	5,760,339	-
SERS	1,136,133	293,056	-	1,429,189	-
Total	<u>\$ 6,306,579</u>	<u>\$ 1,048,611</u>	<u>\$ (23,655)</u>	<u>\$ 7,331,535</u>	<u>\$ 25,563</u>

In March 2014, the School District issued \$8,100,000 in general obligation school improvement bonds to provide funds for the acquisition and construction of career-technical labs for various health-related programs as well as traditional classrooms for academic instruction and to retire outstanding bond anticipation notes. The issuance is composed of serial bonds and term bonds that bear interest rates ranging between 1.5% to 4.50% and mature on December 31, 2037.

In April 2014, the School District issued \$1,935,000 in general obligation school energy conservation improvement bonds to provide funds for the acquisition, constructing, and installing energy conservation measures. The issuance is composed of serial bonds and term bonds that bear interest rates ranging between 1.5% to 4.0% and maturing on December 1, 2028.

Compensated absences are generally liquidated from the General Fund and Adult Education Fund.

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

10. LONG-TERM LIABILITIES—continued

The debt service requirements for the School District's bonds are as follows:

Year ending June 30,	School Improvement		Energy Conservation		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 260,000	\$ 253,495	\$ 125,000	\$ 41,056	\$ 385,000	\$ 294,551
2019	265,000	249,558	130,000	38,818	395,000	288,376
2020	270,000	244,870	115,000	36,368	385,000	281,238
2021	275,000	239,420	120,000	34,018	395,000	273,438
2022	280,000	233,520	120,000	31,468	400,000	264,988
2023-2027	1,510,000	1,040,990	650,000	106,259	2,160,000	1,147,249
2028-2032	1,760,000	766,313	285,000	11,500	2,045,000	777,813
2033-2037	2,160,000	360,588	-	-	2,160,000	360,588
2038	490,000	11,025	-	-	490,000	11,025
	<u>\$ 7,270,000</u>	<u>\$ 3,399,779</u>	<u>\$1,545,000</u>	<u>\$ 299,487</u>	<u>\$ 8,815,000</u>	<u>\$ 3,699,266</u>

11. FUND BALANCES

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

Fund Balances	General Fund	Other Governmental Funds	Total Governmental Funds
Restricted for			
Classroom Facilities Maintenance	\$ 1,813,437	\$ -	\$ 1,813,437
Motorcycle Safety & Education	-	146,474	146,474
Other Purposes	-	53,331	53,331
Capital Improvements	-	2,164,110	2,164,110
<i>Total Restricted</i>	<u>1,813,437</u>	<u>2,363,915</u>	<u>4,177,352</u>
Committed to			
Capital Improvements	<u>306,494</u>	-	<u>306,494</u>
Assigned to			
Public School Support	47,841	-	47,841
Encumbrances	<u>1,120,697</u>	-	<u>1,120,697</u>
<i>Total Assigned</i>	<u>1,168,538</u>	-	<u>1,168,538</u>
Unassigned	<u>12,710,111</u>	<u>(422,105)</u>	<u>12,288,006</u>
Total Fund Balance	<u>\$ 15,998,580</u>	<u>\$ 1,941,810</u>	<u>\$ 17,940,390</u>

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

12. FUND BALANCE DEFICITS

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

Other Governmental Funds:	
Bioscience Building Fund	\$ 301,383
Miscellaneous State Grants	6,420
Adult Basic Education Fund	25,795
Vocational Education Fund	88,507

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

13. JOINTLY GOVERNED ORGANIZATION

Southwestern Ohio Computer Association

The Southwestern Ohio Computer Association (SWOCA), a jointly governed organization, was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the member schools of the three county consortium supports SWOCA based upon per pupil charge dependent upon the software package utilized. SWOCA is governed by a board of directors consisting of the superintendents and treasurers of member school districts. The degree of control exercised by any participating School District is limited to its representation on the Board. To obtain financial information, write to the Southwestern Ohio Computer Association, at 3603 Hamilton-Middletown, Hamilton, Ohio 45011.

14. INSURANCE PURCHASING POOLS

Butler Health Plan

The School District participates in the Butler Health Plan (BHP), an insurance purchasing pool, formed to provide affordable and desirable dental, life, medical, and other disability group insurance for member's employees, eligible dependents and designated beneficiaries. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. Financial information can be obtained from BHP at 400 North Erie Boulevard, Suite B, Hamilton, OH 45011.

Ohio School Plan

The Ohio School Plan (OSP) is an insurance purchasing pool among school districts in Ohio formed for the purpose of establishing a group primary and excess insurance/self-insurance and risk management program. Members agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by OSP. This coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance. The affairs of the corporation are managed by a 13-member Board of Directors made up of school administrators. The School District does not have an equity interest in OSP.

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

14. INSURANCE PURCHASING POOLS—*continued*

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

15. COMMITMENTS AND CONTINGENCIES

Encumbrances

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

General Fund	\$	1,326,490
Other Governmental Funds		1,609,568

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2017.

School Foundation

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

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to the Basic Financial Statements
Year Ended June 30, 2017

16. REQUIRED SET-ASIDES

The School District is required by State Statute to annually set aside in the general fund an amount based on the statutory formula for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end. The following cash basis information describes the change in the year-end set aside amounts for capital acquisition. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside reserve balance as of June 30, 2016	\$ -
Current year set-aside requirement	572,174
Current year qualifying expenditures	<u>(4,977,035)</u>
Total	<u>\$ (4,404,861)</u>
 Set-aside reserve balance as of June 30, 2017	 <u><u>\$ -</u></u>

**Required
Supplementary
Information**

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO

Schedule of Revenues, Expenditures and Changes in Fund Balance -
 Budget and Actual (Non-GAAP Budgetary Basis)
 Year Ended June 30, 2017

	General Fund			
	<u>Budgeted Amounts</u>			Variance With Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 13,851,000	\$ 13,851,000	\$ 13,982,000	\$ 131,000
Tuition	282,000	282,000	740,866	458,866
Interest	74,000	74,000	129,065	55,065
Intergovernmental	26,308,000	26,308,000	28,287,200	1,979,200
Miscellaneous	91,700	91,700	247,502	155,802
Total revenues	<u>40,606,700</u>	<u>40,606,700</u>	<u>43,386,633</u>	<u>2,779,933</u>
Expenditures:				
Current:				
Instruction:				
Vocational	24,722,692	23,930,147	23,198,282	731,865
Support services:				
Pupil	1,143,194	1,166,169	1,138,132	28,037
Instructional staff	3,756,404	3,695,230	3,320,898	374,332
General administration	163,754	163,754	153,880	9,874
School administration	2,142,047	2,185,203	1,854,865	330,338
Fiscal	2,661,275	1,599,463	1,217,903	381,560
Business	196,156	196,885	211,919	(15,034)
Operation and maintenance of plant	3,864,679	3,923,520	3,551,267	372,253
Pupil transportation	83,078	89,441	81,808	7,633
Central	3,152,693	3,248,978	3,026,259	222,719
Non-instructional services:				
Extracurricular activities	507,924	969,233	852,876	116,357
Food services	19,500	18,273	22,635	(4,362)
Facilities acquisition and construction	-	2,977,100	2,900,488	76,612
Total expenditures	<u>42,413,396</u>	<u>44,163,396</u>	<u>41,531,212</u>	<u>2,632,184</u>
Excess of revenues over (under) expenditures	<u>(1,806,696)</u>	<u>(3,556,696)</u>	<u>1,855,421</u>	<u>5,412,117</u>
Other financing sources (uses)				
Transfers out	(1,350,000)	(2,600,000)	(2,742,068)	(142,068)
Advances in	-	971,144	221,144	(750,000)
Advances out	(100,000)	(100,000)	(167,000)	(67,000)
Other financing sources (uses)	-	-	79,549	79,549
Total other financing sources (uses)	<u>(1,450,000)</u>	<u>(1,728,856)</u>	<u>(2,608,375)</u>	<u>(879,519)</u>
Net change in fund balance	<u>(3,256,696)</u>	<u>(5,285,552)</u>	<u>(752,954)</u>	<u>\$ 4,532,598</u>
Fund balance - beginning of year	14,719,395	14,719,395	14,719,395	
Prior year carryover appropriations	1,363,396	1,363,396	1,363,396	
Fund balance - end of year	<u>\$ 12,826,095</u>	<u>\$ 10,797,239</u>	<u>\$ 15,329,837</u>	

See accompanying notes to required supplementary information.

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS

Required Supplementary Information

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

School Employees Retirement System of Ohio

Last Four Fiscal Years (1)(2)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.1952690%	0.1991086%	0.1979660%	0.1979660%
School District's Proportionate Share of the Net Pension Liability	\$ 14,291,888	\$ 11,361,330	\$ 10,018,947	\$ 11,772,403
School District's Covered Payroll	\$ 6,725,307	\$ 7,118,930	\$ 5,810,599	\$ 5,228,736
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	212.51%	159.59%	172.43%	225.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.98%	69.16%	71.70%	65.52%

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

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

See accompanying notes to required supplementary information.

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS
 Required Supplementary Information
 Schedule of School District's Proportionate Share of the Net Pension Liability
 State Teachers Retirement System of Ohio
 Last Four Fiscal Years (1)(2)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Proportion of the Net Pension Liability	0.17208905%	0.18138939%	0.19384174%	0.19384174%
School District's Proportionate Share of the Net Pension Liability	\$ 57,603,392	\$ 50,130,722	\$ 47,149,020	\$ 56,163,603
School District's Covered Payroll	\$ 19,512,650	\$ 20,584,564	\$ 21,328,754	\$ 21,627,946
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	295.21%	243.54%	221.06%	259.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.78%	72.09%	74.70%	69.30%

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

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

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 739,619	\$ 941,543	\$ 938,275	\$ 805,349	\$ 723,657
Contributions in Relation to the Contractually Required Contributions	<u>(739,619)</u>	<u>(941,543)</u>	<u>(938,275)</u>	<u>(805,349)</u>	<u>(723,657)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered Payroll	\$ 5,282,993	\$ 6,725,307	\$ 7,118,930	\$ 5,810,599	\$ 5,228,736
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.18%	13.86%	13.84%

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

See accompanying notes to required supplementary information

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 2,863,722	\$ 2,731,771	\$ 2,881,839	\$ 2,772,738	\$ 2,811,633
Contributions in Relation to the Contractually Required Contributions	<u>(2,863,722)</u>	<u>(2,731,771)</u>	<u>(2,881,839)</u>	<u>(2,772,738)</u>	<u>(2,811,633)</u>
Contribution Deficiency (Excess)	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>
School District Covered Payroll	\$ 20,455,157	\$ 19,512,650	\$ 20,584,564	\$ 21,328,754	\$ 21,627,946
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.00%	13.00%

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

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BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO
Notes to Required Supplementary Information
Year Ended June 30, 2017

Note A Budgetary Basis of Accounting

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

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

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

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

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

The adjustments necessary to convert the results of operations for the year ended June 30, 2017, on the GAAP basis to the budget basis are as follows:

	General Fund
Net change in fund balance - GAAP Basis	\$ 373,645
Increase / (decrease):	
Due to inclusion of Public School Support Fund	(1,899)
Due to inclusion of Classroom Facilities Maintenance Fund	24,023
Due to inclusion of Termination Benefits Fund	85,498
Due to revenues	29,240
Due to expenditures	(70,664)
Due to other financing sources	133,693
Due to encumbrances	<u>(1,326,490)</u>
Net change in fund balance - Budget Basis	\$ <u>(752,954)</u>

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS, OHIO

Notes to Required Supplementary Information

Year Ended June 30, 2017

continued

Note B SERS Change in Assumptions

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

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

**BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS
BUTLER COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education</i>		
Child Nutrition Cluster - Cash Assistance		
National School Breakfast Program	10.553	27,537
National School Lunch Program	10.555	98,054
Total Child Nutrition Cluster		<u>125,591</u>
Total U.S. Department of Agriculture		<u>125,591</u>
U.S. DEPARTMENT OF EDUCATION		
<i>Direct Program</i>		
Student Financial Aid Cluster		
Federal Direct Student Loan Program	84.268	1,185,080
Federal Pell Grant Program	84.063	525,927
Total Student Financial Aid Cluster		<u>1,711,007</u>
<i>Passed Through Ohio Department of Education</i>		
Career and Technical Education - Basic Grants		
Carl Perkins Secondary	84.048	1,000,721
Carl Perkins Adult	84.048	334,238
Total Career and Technical Education - Basic Grants		<u>1,334,959</u>
Improving Teacher Quality - Title II-A	84.367	9,180
Adult Basic Education Grant	84.002	213,817
Total U.S. Department of Education		<u>3,268,963</u>
Total Expenditures of Federal Awards		<u><u>\$3,394,554</u></u>

The accompanying notes are an integral part of this schedule.

**BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS
BUTLER COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Butler Technology and Career Development Schools (the District) under programs of the federal government for the year ended June 30, 2017. 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 District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - CHILD NUTRITION CLUSTER

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

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

Butler Technology and Career Development Schools
Butler County
3603 Hamilton Middletown Road
Hamilton, Ohio 45011

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Butler Technology and Career Development Schools, Butler County, (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 18, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

January 18, 2018



Dave Yost • Auditor of State

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

Butler Technology and Career Development Schools
Butler County
3603 Hamilton Middletown Road
Hamilton, Ohio 45011

To the Board of Education:

Report on Compliance for the Major Federal Program

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

Management's Responsibility

The District's management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Butler Technology and Career Development Schools complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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



Dave Yost
Auditor of State

Columbus, Ohio

January 18, 2018

**BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS
BUTLER COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA # 84.063 & 84.268 Student Financial Aid Cluster
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR §200.520?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

BUTLER TECHNOLOGY AND CAREER DEVELOPMENT SCHOOLS

BUTLER COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 6, 2018**