

**BATAVIA LOCAL SCHOOL DISTRICT
CLERMONT COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2015***

MICHAEL ASHMORE, TREASURER



Dave Yost • Auditor of State

School Board
Batavia Local School District
2400 Clermont Center Dr #240
Batavia, OH 45103

We have reviewed the *Independent Auditor Report* of the Batavia Local School District, Clermont County, prepared by Julian & Grube, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

May 10, 2016

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**BATAVIA LOCAL SCHOOL DISTRICT
CLERMONT COUNTY, OHIO**

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

Batavia Local School District
Clermont County
2400 Clermont Center Drive
Suite 240P
Batavia, Ohio 45103

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 the Batavia Local School District, Clermont County, Ohio, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Batavia Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with 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 Batavia Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Batavia Local School 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 the Batavia Local School District, Clermont County, Ohio, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 17 to the financial statements, during the fiscal year ended June 30, 2015, the Batavia Local School District adopted the provisions of Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. In addition, a prior period restatement was required to reclassify tangible personal property tax reimbursements from the General Fund to the Debt Service Fund and grant fund expenditures were reclassified from Other Governmental Funds to the General Fund as disclosed in Note 17. Also, as disclosed in Note 18, the District is experiencing a distressed current financial condition. We did not modify our opinion regarding these matters.

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, required budgetary comparison schedule* and schedules of net pension liabilities and pension contributions and 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 Information

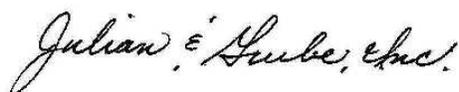
Our audit was conducted to opine on the Batavia Local School District's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards (the "Schedule") presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the basic financial statements.

The Schedule is management's responsibility, and derives from and relates 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, this 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 February 23, 2016, on our consideration of the Batavia Local School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Batavia Local School District's internal control over financial reporting and compliance.



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**BATAVIA LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2015**

This discussion and analysis provides key information from management highlighting the overall financial performance of the Batavia Local School District for the year ended June 30, 2015. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

Financial Highlights

Major financial highlights for fiscal year 2015 are listed below:

- ✓ The liabilities and deferred inflows of resources of the School District exceeded its assets and deferred outflows of resources at year-end by \$7.3 million driven primarily by changes in pension reporting.
- ✓ In total, net position increased by approximately \$1.6 million.
- ✓ The School District had \$22.0 million in expenses related to governmental activities; only \$2.7 million of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$20.9 million, made up primarily of property taxes and State funding provided the majority of funding for these programs.
- ✓ The General Fund's fund balance improved by \$468,259 from a deficit of (\$762,233) at June 30, 2014 to a deficit of (\$293,974) at June 30, 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

BATAVIA LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2015
Unaudited

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, liabilities and deferred outflows and inflows of resources, 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.

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 is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

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

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

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

BATAVIA LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2015
Unaudited

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, 2015 and 2014:

	Governmental		Business-Type		Total	
	Activities		Activities			
	FY15	FY14	FY15	FY14	FY15	FY14
Current and other assets	\$ 34,233,809	37,209,337	102,679	117,169	34,336,488	37,326,506
Capital assets	11,431,975	8,053,658	9,586	11,057	11,441,561	8,064,715
Total assets	<u>45,665,784</u>	<u>45,262,995</u>	<u>112,265</u>	<u>128,226</u>	<u>45,778,049</u>	<u>45,391,221</u>
Deferred outflows of resources	<u>1,707,409</u>	<u>1,329,045</u>	<u>60,729</u>	<u>37,388</u>	<u>1,768,138</u>	<u>1,366,433</u>
Long-term liabilities:						
Net pension liability	21,350,869	25,377,939	465,121	546,524	21,815,990	25,924,463
Other long-term amounts	19,203,699	20,116,566	7,569	7,424	19,211,268	20,123,990
Other liabilities	<u>1,707,829</u>	<u>1,864,274</u>	<u>50,695</u>	<u>58,431</u>	<u>1,758,524</u>	<u>1,922,705</u>
Total liabilities	<u>42,262,397</u>	<u>47,358,779</u>	<u>523,385</u>	<u>612,379</u>	<u>42,785,782</u>	<u>47,971,158</u>
Deferred inflows of resources	<u>12,011,441</u>	<u>7,707,559</u>	<u>75,490</u>	<u>-</u>	<u>12,086,931</u>	<u>7,707,559</u>
Net position:						
Net investment in capital assets	2,173,739	1,947,676	9,586	11,057	2,183,325	1,958,733
Restricted:						
For capital purposes	12,217,346	12,191,193	-	-	12,217,346	12,191,193
For debt service	3,100,015	2,528,247	-	-	3,100,015	2,528,247
Other purposes	565,753	677,802	-	-	565,753	677,802
Unrestricted (deficit)	<u>(24,957,498)</u>	<u>(25,819,216)</u>	<u>(435,467)</u>	<u>(457,822)</u>	<u>(25,392,965)</u>	<u>(26,277,038)</u>
Total net position	\$ <u>(6,900,645)</u>	<u>(8,474,298)</u>	<u>(425,881)</u>	<u>(446,765)</u>	<u>(7,326,526)</u>	<u>(8,921,063)</u>

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 revises 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.

BATAVIA LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
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Unaudited

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.

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.

BATAVIA LOCAL SCHOOL DISTRICT
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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.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation had the effect of restating Governmental Activities' net position at June 30, 2014, from a positive balance of \$15,574,596 to a deficit balance of \$8,474,298 for governmental activities and a positive balance of \$62,371 to a deficit balance of \$446,765 for business-type activities.

Total assets increased by approximately \$387,000, while total liabilities decreased by \$5.2 million. The decrease in current and other assets of approximately \$3.0 million and corresponding increase in capital assets of approximately \$3.4 million was attributable to using funds to work on construction of a new elementary school under the Ohio School Facilities Commission program. The decrease in liabilities was primarily due to making its scheduled debt service payments and State-legislated pension system reforms, such as phased in increases in employee contribution rates and changes in age and service requirements for retirement, that are being implemented over the next several years.

BATAVIA LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2015
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B. Governmental and Business-type Activities during fiscal year 2015

The following table presents a condensed summary of the School District's activities during fiscal year 2015 and 2014 and the resulting change in net position:

	Governmental		Business-Type		Total	
	Activities		Activities			
	FY15	FY14	FY15	FY14	FY15	FY14
Revenues:						
Program revenues:						
Charges for services and sales	\$ 1,398,592	1,230,367	292,728	287,173	1,691,320	1,517,540
Operating grants and contributions	<u>1,315,437</u>	<u>1,346,813</u>	<u>551,022</u>	<u>600,804</u>	<u>1,866,459</u>	<u>1,947,617</u>
Total program revenues	<u>2,714,029</u>	<u>2,577,180</u>	<u>843,750</u>	<u>887,977</u>	<u>3,557,779</u>	<u>3,465,157</u>
General revenues:						
Property taxes	8,194,382	8,215,954	-	-	8,194,382	8,215,954
Payments in lieu of taxes	1,295,044	1,163,712	-	-	1,295,044	1,163,712
Grants and entitlements	10,728,754	22,097,963	-	-	10,728,754	22,097,963
Investment earnings	25,586	88,122	-	-	25,586	88,122
Miscellaneous	<u>641,371</u>	<u>547,071</u>	<u>-</u>	<u>-</u>	<u>641,371</u>	<u>547,071</u>
Total general revenues	<u>20,885,137</u>	<u>32,112,822</u>	<u>-</u>	<u>-</u>	<u>20,885,137</u>	<u>32,112,822</u>
Total revenues	<u>23,599,166</u>	<u>34,690,002</u>	<u>843,750</u>	<u>887,977</u>	<u>24,442,916</u>	<u>35,577,979</u>
Expenses:						
Instruction	15,380,089	14,625,453	-	-	15,380,089	14,625,453
Support services:						
Pupil	374,421	444,884	-	-	374,421	444,884
Instructional staff	128,075	183,629	-	-	128,075	183,629
Board of Education	228,789	227,215	-	-	228,789	227,215
Administration	1,502,475	1,334,804	-	-	1,502,475	1,334,804
Fiscal	605,391	604,950	-	-	605,391	604,950
Operation and maintenance of plant	1,308,021	1,314,934	-	-	1,308,021	1,314,934
Pupil transportation	1,254,153	1,534,021	-	-	1,254,153	1,534,021
Central	128,544	109,408	-	-	128,544	109,408
Non-instructional services	416,187	402,631	-	-	416,187	402,631
Interest and fiscal charges	699,368	807,251	-	-	699,368	807,251
Food services	-	-	729,459	844,258	729,459	844,258
Uniform school supplies	<u>-</u>	<u>-</u>	<u>93,407</u>	<u>88,345</u>	<u>93,407</u>	<u>88,345</u>
Total expenses	<u>22,025,513</u>	<u>21,589,180</u>	<u>822,866</u>	<u>932,603</u>	<u>22,848,379</u>	<u>22,521,783</u>
Change in net position	1,573,653	13,100,822	20,884	(44,626)	1,594,537	13,056,196
Beginning net position	(8,474,298)	2,473,774	(446,765)	106,997	(8,921,063)	2,580,771
<i>Cumulative effect to implement</i>					-	-
<i>GASB Statement No. 68</i>	<u>-</u>	<u>(24,048,894)</u>	<u>-</u>	<u>(509,136)</u>	<u>-</u>	<u>(24,558,030)</u>
Ending net position	<u>\$ (6,900,645)</u>	<u>(8,474,298)</u>	<u>(425,881)</u>	<u>(446,765)</u>	<u>(7,326,526)</u>	<u>(8,921,063)</u>

BATAVIA LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,366,433 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred outflows and inflows of resources. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$1,000,459. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Total 2015 program expenses under GASB 68	\$ 22,025,513	822,866
Pension expense under GASB 68	(972,942)	(27,517)
2015 contractually required contributions	<u>1,505,661</u>	<u>56,770</u>
Adjusted 2015 program expenses	22,558,232	852,119
Total 2014 program expenses under GASB 27	<u>21,589,180</u>	<u>932,603</u>
Increase (decrease) in program expenses not related to pension	\$ <u>969,052</u>	<u>(80,484)</u>

Of the total governmental activities revenues of \$23,599,166, \$2,714,029 (12%) is from program revenue. This means that the government relies on general revenues to fund the majority of the cost of services provided to the citizens. Of those general revenues, 39% (\$8,194,382) comes from property tax levies and 51% (\$10,728,754) comes from state funding. The School District's operations are reliant upon its property tax levy and the state's foundation program.

Total revenue decreased by \$11.1 million, primarily due to approval of \$12.1 million in Ohio School Facilities Commission funding for the new elementary school building project in the prior fiscal year. The increase in charges for services and sales was due to increases in tuition revenue with having more students eligible for State-fund tuition reimbursements. The decrease in operating grants and contributions was due to a decrease Federal grant funding. Payments in lieu of taxes continue to increase as development continues within TIF districts.

Total expenses, as adjusted above, increased by \$888,568, or 4%, primarily due to fiscal year 2015 being the first year that we had given a salary increase after being frozen in prior years. Other contributing factors include increases in our contract costs with the Clermont County Educational Service Center and increased repairs and maintenance at the high school.

BATAVIA LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2015
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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 12% of the cost of the general government programs was recouped in program revenues.

Instruction costs were \$15,380,089, but program revenue contributed to fund 16% of those costs. Thus, general revenues of \$12,947,463 were needed to support of remainder of the instruction costs.

Governmental Activities					
		Total Cost	Program	Revenues	Net Cost
		of Services	Revenue	as a % of	of Services
		<u> </u>	<u> </u>	<u>Total Costs</u>	<u> </u>
Instruction	\$	15,380,089	2,432,626	16%	12,947,463
Support services		5,529,869	168,437	3%	5,361,432
Non-instructional services		416,187	112,966	27%	303,221
Interest and fiscal charges		<u>699,368</u>	<u>-</u>	0%	<u>699,368</u>
Total	\$	<u>22,025,513</u>	<u>2,714,029</u>	<u>12%</u>	<u>19,311,484</u>

Business-type Activities

Net position of the business-type activities increased by \$20,884, compared to a decrease of \$44,626 in the prior fiscal year, due to controlling costs within food services, including implementation of spousal coordination of benefits that assisted with decreases in health insurance costs.

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.

Business-type Activities					
		Total Cost	Program	Revenues	Net Cost
		of Services	Revenue	as a % of	(Revenue)
		<u> </u>	<u> </u>	<u>Total Costs</u>	<u>of Services</u>
Food services	\$	729,459	751,450	103%	(21,991)
School supplies		<u>93,407</u>	<u>92,300</u>	99%	<u>1,107</u>
Total	\$	<u>822,866</u>	<u>843,750</u>	<u>103%</u>	<u>(20,884)</u>

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The School District has three major governmental funds: the General Fund, the Debt Service Fund, and the Classroom Facilities Project Fund. Assets of these three funds comprised 98% (\$33,889,486) of the total \$34,728,902 governmental fund assets.

General Fund. Fund balance at June 30, 2015 was a deficit of \$293,974, an increase of \$468,259 from the prior fiscal year, as revenues increased by approximately \$1.1 million, or 6%. Significant increases include tuition and fees and payments in lieu of taxes, as previously discussed, and intergovernmental revenue increasing by about \$727,000, due to increases in school foundation funding associated with the State's biennial budget changes made last year. Total expenditures increased by approximately \$1,143,000, or 6% primarily to salary increases previously discussed, and absorbing program expenditures previously funded with grant funds.

Debt Service Fund. Fund balance at June 30, 2015 was \$3,189,856. The Debt Service Fund is used to accumulate resources to pay general obligation bonds. The required bond payments were made as scheduled during the current fiscal year. The fund's cash balance at year-end is adequate to make the required debt payments for the year ended June 30, 2016.

Classroom Facilities Project Fund. This fund was established to account for the construction of a new elementary school building under the Ohio School Facilities Commission program. Project activity began during the previous fiscal year and continued during fiscal year 2015.

Proprietary funds

Food Service Fund. This fund was established to account for the School District's cafeteria operations. The fund experienced an increase of \$21,991, due to a decrease in health insurance expenses as previously discussed.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the School District's original and final budgets and actual results is included in the required supplementary information. During fiscal year 2015, the School District amended its General Fund budget with Clermont County as changes occurred in School District revenues and expenditures.

The original budget was increased by \$905,250 to account for additional State foundation revenue. Actual revenue came in slightly higher due to conservative budgeting and higher than anticipated property tax revenue. Original budgeted expenditures were increased by 6% during the year to account for increases in salaries due to teacher hiring and overlap of the old and new superintendents for a few months. Actual expenditures and transfers came in \$151,114 under budget.

BATAVIA LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2015
Unaudited

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

At June 30, 2015, the School District had invested in a broad range of capital assets, including land, construction in progress, buildings, equipment and vehicles. See Note 5 to the financial statements for more detail.

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

		<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
		<u>FY15</u>	<u>FY14</u>	<u>FY15</u>	<u>FY14</u>	<u>FY15</u>	<u>FY14</u>
Land	\$	1,230,447	1,230,447	-	-	1,230,447	1,230,447
Construction in progress		4,698,993	655,808	-	-	4,698,993	655,808
Land improvements		197,333	318,417	-	-	197,333	318,417
Buildings and improvements		4,917,764	5,286,006	-	-	4,917,764	5,286,006
Equipment and furniture		164,380	249,192	9,586	11,057	173,966	260,249
Vehicles		223,058	313,788	-	-	223,058	313,788
Total	\$	<u>11,431,975</u>	<u>8,053,658</u>	<u>9,586</u>	<u>11,057</u>	<u>11,441,561</u>	<u>8,064,715</u>

Debt

As of June 30, 2015, the School District had \$17,862,448 outstanding in general obligation bonds after making \$830,000 in principal payments during the fiscal year. See Note 10 to the financial statements.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office at the Batavia Local School District, 2400 Clermont Center Drive, Suite 240p, Batavia, Ohio 45103.

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2015

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and investments	\$ 2,864,298	\$ 78,634	\$ 2,942,932
Receivables:			
Taxes	8,868,142	-	8,868,142
Intergovernmental	7,435,218	-	7,435,218
Supplies inventory	-	24,045	24,045
Restricted cash and investments	15,066,151	-	15,066,151
Nondepreciable capital assets	5,929,440	-	5,929,440
Depreciable capital assets, net	<u>5,502,535</u>	<u>9,586</u>	<u>5,512,121</u>
Total assets	<u>45,665,784</u>	<u>112,265</u>	<u>45,778,049</u>
Deferred Outflows of Resources:			
Pensions	<u>1,707,409</u>	<u>60,729</u>	<u>1,768,138</u>
Liabilities:			
Accounts payable	77,238	99	77,337
Accrued wages and benefits	1,315,924	42,265	1,358,189
Intergovernmental payable	238,980	8,331	247,311
Accrued interest payable	75,687	-	75,687
Noncurrent liabilities:			
Due within one year	981,837	1,901	983,738
Due within more than one year:			
Net pension liability	21,350,869	465,121	21,815,990
Other amounts due more than one year	<u>18,221,862</u>	<u>5,668</u>	<u>18,227,530</u>
Total liabilities	<u>42,262,397</u>	<u>523,385</u>	<u>42,785,782</u>
Deferred Inflows of Resources:			
Property taxes	7,124,517	-	7,124,517
Payment in lieu of taxes	1,014,209	-	1,014,209
Pensions	<u>3,872,715</u>	<u>75,490</u>	<u>3,948,205</u>
Total deferred inflows of resources	<u>12,011,441</u>	<u>75,490</u>	<u>12,086,931</u>
Net Position:			
Net investment in capital assets	2,173,739	9,586	2,183,325
Restricted for:			
Capital projects	12,217,346	-	12,217,346
Debt service	3,100,015	-	3,100,015
Other purposes	565,753	-	565,753
Unrestricted (deficit)	<u>(24,957,498)</u>	<u>(435,467)</u>	<u>(25,392,965)</u>
Total net position	<u>\$ (6,900,645)</u>	<u>\$ (425,881)</u>	<u>\$ (7,326,526)</u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Activities

Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction:						
Regular	\$ 10,106,973	\$ 1,285,626	\$ 280,661	\$ (8,540,686)	\$ -	\$ (8,540,686)
Special education	5,262,856	-	866,339	(4,396,517)	-	(4,396,517)
Other instruction	10,260	-	-	(10,260)	-	(10,260)
Support services:						
Pupil	374,421	-	-	(374,421)	-	(374,421)
Instructional staff	128,075	-	3,399	(124,676)	-	(124,676)
Board of Education	228,789	-	-	(228,789)	-	(228,789)
Administration	1,502,475	-	119,110	(1,383,365)	-	(1,383,365)
Fiscal	605,391	-	5,400	(599,991)	-	(599,991)
Operation and maintenance of plant	1,308,021	-	40,528	(1,267,493)	-	(1,267,493)
Pupil transportation	1,254,153	-	-	(1,254,153)	-	(1,254,153)
Central	128,544	-	-	(128,544)	-	(128,544)
Non-instructional services:						
Extracurricular activities	416,187	112,966	-	(303,221)	-	(303,221)
Interest on long-term debt	699,368	-	-	(699,368)	-	(699,368)
Total Governmental Activities	<u>22,025,513</u>	<u>1,398,592</u>	<u>1,315,437</u>	<u>(19,311,484)</u>	<u>-</u>	<u>(19,311,484)</u>
Business-Type Activities:						
Food Service	729,459	200,428	551,022	-	21,991	21,991
Uniform School Supplies	93,407	92,300	-	-	(1,107)	(1,107)
Total Business-Type Activities	<u>822,866</u>	<u>292,728</u>	<u>551,022</u>	<u>-</u>	<u>20,884</u>	<u>20,884</u>
	<u>\$ 22,848,379</u>	<u>\$ 1,691,320</u>	<u>\$ 1,866,459</u>	<u>(19,311,484)</u>	<u>20,884</u>	<u>(19,290,600)</u>
General Revenues:						
Property taxes, levied for general purposes				6,765,991	-	6,765,991
Property taxes, levied for debt services				1,314,991	-	1,314,991
Property taxes, levied for classroom maintenance				113,400	-	113,400
Payments in lieu of taxes				1,295,044	-	1,295,044
Grants and entitlements not restricted to specific programs				10,728,754	-	10,728,754
Investment earnings				25,586	-	25,586
Miscellaneous				641,371	-	641,371
Total general revenues				<u>20,885,137</u>	<u>-</u>	<u>20,885,137</u>
Change in net position				1,573,653	20,884	1,594,537
Net position beginning of year, <i>restated</i>				<u>(8,474,298)</u>	<u>(446,765)</u>	<u>(8,921,063)</u>
Net position end of year				<u>\$ (6,900,645)</u>	<u>\$ (425,881)</u>	<u>\$ (7,326,526)</u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Balance Sheet
 Governmental Funds
 June 30, 2015

	General	Debt Service	Classroom Facilities Project	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments	\$ 4,001	\$ 2,408,663	\$ -	\$ 451,634	\$ 2,864,298
Restricted cash and investments	78,607	-	14,987,544	-	15,066,151
Receivables:					
Taxes	6,958,469	1,788,679	-	120,994	8,868,142
Intergovernmental	831,607	187,347	6,149,476	266,788	7,435,218
Interfund receivable	-	495,093	-	-	495,093
Total assets	<u>\$7,872,684</u>	<u>\$ 4,879,782</u>	<u>\$21,137,020</u>	<u>\$ 839,416</u>	<u>\$34,728,902</u>
Liabilities:					
Accounts payable	\$ 71,823	\$ -	\$ -	\$ 5,415	\$ 77,238
Accrued wages and benefits	1,256,550	-	-	59,374	1,315,924
Intergovernmental payable	221,686	-	-	17,294	238,980
Interfund payable	189,125	-	-	305,968	495,093
Total liabilities	<u>1,739,184</u>	<u>-</u>	<u>-</u>	<u>388,051</u>	<u>2,127,235</u>
Deferred Inflows of Resources:					
Property taxes	5,536,217	1,488,900	-	99,400	7,124,517
Payments in lieu of taxes	813,005	187,347	-	13,857	1,014,209
Unavailable revenue	78,252	13,679	6,149,476	253,925	6,495,332
Total deferred inflows of resources	<u>6,427,474</u>	<u>1,689,926</u>	<u>6,149,476</u>	<u>367,182</u>	<u>14,634,058</u>
Fund Balances:					
Restricted	78,607	3,189,856	14,987,544	397,009	18,653,016
Assigned	127,321	-	-	74,674	201,995
Unassigned (Deficit)	(499,902)	-	-	(387,500)	(887,402)
Total fund balances	<u>(293,974)</u>	<u>3,189,856</u>	<u>14,987,544</u>	<u>84,183</u>	<u>17,967,609</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$7,872,684</u>	<u>\$ 4,879,782</u>	<u>\$21,137,020</u>	<u>\$ 839,416</u>	<u>\$34,728,902</u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT
 Reconciliation of Total Governmental Fund Balances to
 Net Position of Governmental Activities
 June 30, 2015

Total Governmental Fund Balances		\$ 17,967,609
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.		11,431,975
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds.		6,495,332
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(18,030,741)	
Accreted interest on bonds	(27,833)	
Compensated absences	(996,962)	
Capital leases	(148,163)	
Accrued interest payable	<u>(75,687)</u>	
Total		(19,279,386)
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	1,707,409	
Deferred inflows - pensions	(3,872,715)	
Net pension liability	<u>(21,350,869)</u>	
Total		<u>(23,516,175)</u>
Net Position of Governmental Activities		\$ <u><u>(6,900,645)</u></u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2015

	General	Debt Service	Classroom Facilities Project	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 6,807,431	\$ 1,321,879	\$ -	\$ 113,942	\$ 8,243,252
Tuition and fees	1,285,626	-	-	-	1,285,626
Investment earnings	4,814	-	20,747	25	25,586
Payments in lieu of taxes	1,052,507	242,537	-	-	1,295,044
Intergovernmental	10,478,452	239,319	3,939,191	1,436,032	16,092,994
Other local revenues	629,485	-	-	124,852	754,337
Total revenues	<u>20,258,315</u>	<u>1,803,735</u>	<u>3,959,938</u>	<u>1,674,851</u>	<u>27,696,839</u>
Expenditures:					
Current:					
Instruction:					
Regular	9,442,501	-	-	402,073	9,844,574
Special education	4,421,922	-	-	910,617	5,332,539
Other instruction	14,912	-	-	-	14,912
Support services:					
Pupil	396,514	-	-	-	396,514
Instructional staff	135,956	-	-	3,573	139,529
Board of Education	229,864	-	-	-	229,864
Administration	1,395,556	-	-	127,724	1,523,280
Fiscal	612,041	22,020	-	7,006	641,067
Operation and maintenance of plant	1,261,725	-	-	-	1,261,725
Pupil transportation	1,284,411	-	-	-	1,284,411
Central	128,544	-	-	-	128,544
Non-instructional services:					
Extracurricular activities	239,206	-	-	105,857	345,063
Capital outlay	-	-	4,043,185	39,672	4,082,857
Debt Service:					
Principal	93,870	795,000	-	-	888,870
Interest and fiscal charges	33,034	663,762	-	-	696,796
Total expenditures	<u>19,690,056</u>	<u>1,480,782</u>	<u>4,043,185</u>	<u>1,596,522</u>	<u>26,810,545</u>
Excess of revenues over (under) expenditure	<u>568,259</u>	<u>322,953</u>	<u>(83,247)</u>	<u>78,329</u>	<u>886,294</u>
Other financing sources (uses):					
Transfers in	-	-	-	100,000	100,000
Transfers out	(100,000)	-	-	-	(100,000)
Total other financing sources (uses):	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>-</u>
Net change in fund balance	468,259	322,953	(83,247)	178,329	886,294
Fund balance (deficit),					
beginning of year, <i>restated</i>	(762,233)	2,866,903	15,070,791	(94,146)	17,081,315
Fund balance (deficit), end of year	<u>\$ (293,974)</u>	<u>\$ 3,189,856</u>	<u>\$ 14,987,544</u>	<u>\$ 84,183</u>	<u>\$ 17,967,609</u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds to the Statement of Activities
 Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds	\$	886,294
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		4,043,185
Depreciation expense		(664,868)
Principal paid on bonds payable is recorded as an expenditure on the fund financial statements and recorded as a reduction of the long-term liabilities in the government-wide financial statements. Premium amortization is not recorded on the fund financial statements, but is recorded as a reduction of the long-term liabilities in the government-wide financial statements.		
		836,473
Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
		58,870
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		4,572
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(12,302)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the funds.		
		(4,097,673)
Accretion of capital appreciation bonds do not require use of current financial resources are not reported in the governmental funds		
		(13,617)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		1,505,661
Except for amounts reported as deferred outflows or inflows of resources, changes in net pension liability are reported as pension expense in the statement of activities.		
		<u>(972,942)</u>
 Change in Net Position of Governmental Activities	 \$	 <u>1,573,653</u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Net Position

Proprietary Funds

June 30, 2015

	<u>Food Service</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Assets:			
Current assets:			
Equity in pooled cash and investments	\$ 66,619	\$ 12,015	\$ 78,634
Supplies inventory	<u>24,045</u>	<u>-</u>	<u>24,045</u>
Total current assets	<u>90,664</u>	<u>12,015</u>	<u>102,679</u>
Noncurrent assets:			
Capital assets, net	<u>9,586</u>	<u>-</u>	<u>9,586</u>
Total assets	<u>100,250</u>	<u>12,015</u>	<u>112,265</u>
Deferred Outflows of Resources:			
Pensions	<u>60,729</u>	<u>-</u>	<u>60,729</u>
Liabilities:			
Current liabilities:			
Accounts payable	-	99	99
Accrued wages	42,265	-	42,265
Intergovernmental payable	8,331	-	8,331
Compensated absences	<u>1,901</u>	<u>-</u>	<u>1,901</u>
Total current liabilities	<u>52,497</u>	<u>99</u>	<u>52,596</u>
Noncurrent liabilities:			
Compensated absences	5,668	-	5,668
Net pension liability	<u>465,121</u>	<u>-</u>	<u>465,121</u>
Total liabilities	<u>523,286</u>	<u>99</u>	<u>523,385</u>
Deferred Inflows of Resources:			
Pensions	<u>75,490</u>	<u>-</u>	<u>75,490</u>
Net Position:			
Investment in capital assets	9,586	-	9,586
Unrestricted (deficit)	<u>(447,383)</u>	<u>11,916</u>	<u>(435,467)</u>
Total net position	<u>\$ (437,797)</u>	<u>\$ 11,916</u>	<u>\$ (425,881)</u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

Year Ended June 30, 2015

	<u>Food Service</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Operating revenues:			
Charges for services	\$ 200,428	\$ 92,300	\$ 292,728
Operating expenses:			
Salaries and wages	226,842	-	226,842
Fringe benefits	125,813	-	125,813
Contractual services	15,043	-	15,043
Materials and supplies	360,290	93,407	453,697
Depreciation	<u>1,471</u>	<u>-</u>	<u>1,471</u>
Total operating expenses	<u>729,459</u>	<u>93,407</u>	<u>822,866</u>
Operating loss	(529,031)	(1,107)	(530,138)
Nonoperating revenues:			
Federal and state grants	<u>551,022</u>	<u>-</u>	<u>551,022</u>
Total nonoperating revenues	<u>551,022</u>	<u>-</u>	<u>551,022</u>
Change in net position	21,991	(1,107)	20,884
Net position, beginning of year, <i>restated</i>	<u>(459,788)</u>	<u>13,023</u>	<u>(446,765)</u>
Net position, end of year	<u>\$ (437,797)</u>	<u>\$ 11,916</u>	<u>\$ (425,881)</u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2015

	<u>Food Service</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Cash flows from operating activities:			
Cash received from customers	\$ 201,174	\$ 92,300	\$ 293,474
Cash payments for personal services	(388,512)	-	(388,512)
Cash payments for contract services	(15,043)	-	(15,043)
Cash payments for supplies and materials	(304,047)	(94,149)	(398,196)
Cash payments for other expenses	(6,787)	-	(6,787)
Net cash used for operating activities	<u>(513,215)</u>	<u>(1,849)</u>	<u>(515,064)</u>
Cash flows from noncapital financing activities:			
Cash received from federal and state grants	<u>500,358</u>	-	<u>500,358</u>
Change in cash and cash equivalents	(12,857)	(1,849)	(14,706)
Cash and cash equivalents at beginning of year	<u>79,476</u>	<u>13,864</u>	<u>93,340</u>
Cash and cash equivalents at end of year	<u>\$ 66,619</u>	<u>\$ 12,015</u>	<u>\$ 78,634</u>
Reconciliation of operating loss to net cash used for operating activities:			
Operating loss	\$ (529,031)	\$ (1,107)	\$ (530,138)
Adjustments to reconcile operating loss to net cash used for operating activities:			
Depreciation	1,471	-	1,471
Donated commodities used	50,664	-	50,664
Changes in assets, liabilities and deferrals:			
Accounts receivable	746	-	746
Accounts payable	(246)	(742)	(988)
Supplies inventory	(962)	-	(962)
Accrued wages and benefits	(2,767)	-	(2,767)
Intergovernmental payable	(3,981)	-	(3,981)
Compensated absences payable	145	-	145
Deferred outflows - pensions	(23,341)	-	(23,341)
Deferred inflows - pensions	75,490	-	75,490
Net pension liability	<u>(81,403)</u>	<u>-</u>	<u>(81,403)</u>
Net cash used for operating activities	<u>\$ (513,215)</u>	<u>\$ (1,849)</u>	<u>\$ (515,064)</u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Net Position

Fiduciary Funds

June 30, 2015

	Private Purpose Trust	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Equity in pooled cash and investments	\$ <u>8,529</u>	<u>53,927</u>
Total assets	<u><u>8,529</u></u>	<u><u>53,927</u></u>
 LIABILITIES		
Due to student groups	<u>-</u>	<u>53,927</u>
Total liabilities	<u>-</u>	<u><u>53,927</u></u>
 NET POSITION		
Held in trust	\$ <u><u>8,529</u></u>	

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Changes in Net Position

Fiduciary Funds

Year Ended June 30, 2015

		<u>Private Purpose Trust</u>
Net position, beginning of year	\$	<u>8,529</u>
Net position, end of year	\$	<u><u>8,529</u></u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally elected Board of Education (five members) and is responsible for the education of the residents of the School District. The Board controls the School District's four instructional support facilities providing education to approximately 2,100 students.

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

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

The School District is associated with four organizations, two of which are defined as jointly governed organizations and two are insurance purchasing pools. These organizations include Hamilton Clermont Cooperative Association, the Great Oaks Institute of Technology and Career Development, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Clermont County Health Trust. These organizations are presented in Notes 12 and 13 to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

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 financials activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

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

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

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, 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, deferred outflows of resources, liabilities and deferred 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 net position.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

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

C. Fund Accounting

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

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

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

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

Classroom Facilities Project Fund – This fund is used to account for the school improvement activities under the Ohio School Facilities Commission program.

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 following is the School District's major proprietary fund:

Food Service Fund – The food service fund is used to account for the School District's food service operations funded by cafeteria receipts and state and federal grants.

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 School District's only private-purpose trust fund accounts for scholarship programs for students. These assets are not available for the School District's use. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations and are used to account for student activities.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

D. Basis of Accounting

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

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

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

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

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

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 (revenue) until that time. For the School District, deferred inflows of resources include property taxes, payments in lieu of taxes, unavailable revenue and pensions. Receivables for property taxes and payment in lieu of taxes represent amounts that are measurable as of June 30, 2015, but are intended to finance fiscal year 2016 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements and represent receivables that will not be collected within the available period. Deferred inflows of resources are reported on the government-wide statement of net position for pensions (see Note 7).

Deferred Outflows of Resources. In addition to assets, the statement of financial position will sometimes report a separate section for 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) 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. Budgetary Process

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

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

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

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

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

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

Encumbrances As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to assign that portion of the applicable appropriation and to determine and maintain legal compliance.

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

F. Cash and Investments

To improve cash management, all cash received by the School District is pooled in central bank accounts. Monies for all funds are maintained in these accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements. During fiscal year 2015, the School District's investments were limited to U.S. money markets and certificates of deposit.

The Governmental Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", requires that investments be recorded at their fair value and that changes in the fair value be reported in the operating statement. At June 30, 2015, the fair value of investments approximates cost.

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

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

G. Inventory

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

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type columns in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

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

I. Interfund Balances

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

J. Compensated Absences

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

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

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

K. Accrued Liabilities and Long-Term Obligations

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

L. 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.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. Restricted assets in the classroom facilities project fund represents bond proceeds and State funding restricted for the planned construction of a new elementary school.

N. Fund Balance

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

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

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

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

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

O. Net Position

Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation and 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. The School District had no net position restricted by enabling legislation at year-end. The amounts restricted for other purposes consisted of scholarships and education foundation.

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

P. 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 passbook accounts.

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

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

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a custodial credit risk policy. However, protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the financial institution holding the deposits. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds on deposit with that specific financial institution. At year-end, the School District's bank balance of \$11,288,187 was either covered by FDIC or collateralized in the manner described above.

Investments

The School District's investments at June 30, 2015 are summarized as follows:

	Fair Value	Investment Maturity	
		0 to 6 mos	7 to 12 mos
Certificates of deposit	\$ 2,004,027	250,438	1,753,589
Money markets	4,929,661	4,929,661	-
	<u>\$ 6,933,688</u>	<u>5,180,099</u>	<u>1,753,589</u>

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

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 were limited to negotiable certificates of deposit and money market funds.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a failure of a counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment securities are registered in the name of the School District.

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.

3. PROPERTY TAXES

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

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 2015 represent collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien on December 31, 2013, were levied after April 1, 2014 and are collected in calendar year 2015 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.

The School District receives property taxes from the Clermont County Auditor, who periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015 are available to finance fiscal year 2015 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, which became measurable as of June 30, 2015. 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 amount available as an advance at June 30, 2015 was \$1,344,000 in the General Fund, \$286,100 in the Debt Service Fund and \$20,600 in the Other Governmental Funds.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

The assessed values upon which fiscal year 2015 taxes were collected are:

	<u>2014 Second- Half Collections</u>		<u>2015 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 191,978,450	94.37%	202,128,760	94.24%
Public Utility	<u>11,456,230</u>	5.63%	<u>12,352,930</u>	5.76%
Total Assessed Value	\$ <u>203,434,680</u>	100.00%	<u>214,481,690</u>	100.00%
Tax rate per \$1,000 of assessed valuation		\$59.61		\$59.61

4. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2015 consisted of the following interfund receivables/payables and transfers in/out:

	<u>Interfund</u>		<u>Transfers</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General Fund	\$ -	189,125	-	100,000
Debt Service Fund	495,093	-	-	-
Other Governmental Funds	<u>-</u>	<u>305,968</u>	<u>100,000</u>	<u>-</u>
	\$ <u>495,093</u>	<u>495,093</u>	<u>100,000</u>	<u>100,000</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.

All transfers made in fiscal year 2015 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance 7/1/14	Additions	Disposals	Balance 6/30/15
Governmental Activities				
Nondepreciable:				
Land	\$ 1,230,447	-	-	1,230,447
Construction in progress	655,808	4,043,185	-	4,698,993
Subtotal	<u>1,886,255</u>	<u>4,043,185</u>	<u>-</u>	<u>5,929,440</u>
Depreciable:				
Land improvements	2,936,525	-	-	2,936,525
Buildings and improvements	14,089,656	-	-	14,089,656
Equipment and furniture	1,380,776	-	-	1,380,776
Vehicles	3,402,223	-	-	3,402,223
Subtotal	<u>21,809,180</u>	<u>-</u>	<u>-</u>	<u>21,809,180</u>
Totals at historical cost	<u>23,695,435</u>	<u>4,043,185</u>	<u>-</u>	<u>27,738,620</u>
Less accumulated depreciation:				
Land improvements	2,618,108	121,084	-	2,739,192
Buildings and improvements	8,803,650	368,242	-	9,171,892
Equipment and furniture	1,131,584	84,812	-	1,216,396
Vehicles	3,088,435	90,730	-	3,179,165
Total accumulated depreciation	<u>15,641,777</u>	<u>664,868</u>	<u>-</u>	<u>16,306,645</u>
Capital assets, net	<u>\$ 8,053,658</u>	<u>3,378,317</u>	<u>-</u>	<u>11,431,975</u>

Depreciation expense was charged to functions as follows:

Instruction:	
Regular	\$ 444,153
Support services:	
Instructional staff	1,340
Operation and maintenance of plant	47,235
Pupil transportation	90,730
Extracurricular activities	<u>81,410</u>
Total depreciation expense	<u>\$ 664,868</u>

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

	Balance 7/1/14	Additions	Disposals	Balance 6/30/15
<i>Business-type Activities:</i>				
Furniture and equipment	\$ 179,764	-	-	179,764
Less accumulated depreciation	168,707	1,471	-	170,178
Capital assets, net	\$ 11,057	(1,471)	-	9,586

Depreciation expense of \$1,471 was charged to the food services segment.

6. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the School District contracted with commercial carriers for property and fleet insurance, liability insurance and inland marine coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage in the last year.

For fiscal year 2015, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP.

For fiscal year 2015, the School District participated in the Clermont County Health Trust (the Trust), a group insurance purchasing pool (Note 13), in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Trustee provides insurance policies in whole or in part through one or more group insurance policies.

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.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

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 *intergovernmental 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.

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	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.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

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, 2015 the allocation to pension, death benefits, and Medicare B was 13.18%. The remaining 0.82% of the 14% employer contribution rate was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$472,258 for fiscal year 2015. Of this amount, \$68,279 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation 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.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

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.

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 will be increased 1% each year until it reaches 14% on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12% 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 2015 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was approximately \$1,090,173 for fiscal year 2015. Of this amount, \$179,032 is reported as an intergovernmental payable.

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

The net pension liability was measured as of June 30, 2014, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,869,243	\$17,946,747	\$21,815,990
Proportion of the Net Pension Liability	0.076453%	0.07378369%	
Pension Expense	\$215,439	\$785,020	\$1,000,459

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

At June 30, 2015, 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	\$ 32,931	\$ 172,776	\$ 205,707
School District's contributions subsequent to the measurement date	<u>472,258</u>	<u>1,090,173</u>	<u>1,562,431</u>
Total Deferred Outflows of Resources	<u>\$ 505,189</u>	<u>\$ 1,262,949</u>	<u>\$ 1,768,138</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 627,989</u>	<u>\$ 3,320,216</u>	<u>\$ 3,948,205</u>

\$1,562,431 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, 2016. 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>
2016	\$ (148,681)	\$ (786,860)	\$ (935,541)
2017	(148,681)	(786,860)	(935,541)
2018	(148,681)	(786,860)	(935,541)
2019	<u>(149,015)</u>	<u>(786,860)</u>	<u>(935,875)</u>
	<u>\$ (595,058)</u>	<u>\$ (3,147,440)</u>	<u>\$ (3,742,498)</u>

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.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
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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, 2014, are presented below:

Wage Inflation	3.25%
Future Salary Increases, including Inflation	4.00% to 22.00%
COLA or Ad Hoc COLA	3%
Investment Rate of Return	7.75% net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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 %	0.00 %
U.S. Stocks	22.50	5.00
Non-U.S. Stock	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Estate	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate – Total pension liability was calculated using the discount rate of 7.75%. 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 (7.75%). 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.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
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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 7.75%, 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 (6.75%), 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	\$5,520,260	\$3,869,243	\$2,480,595

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2014, 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, 2014, 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:

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	<u>100.00 %</u>	

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
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Discount Rate – The discount rate used to measure the total pension liability was 7.75% as of June 30, 2014. 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, 2014. 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, 2014.

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	\$25,692,725	\$17,946,747	\$11,396,256

Social Security System

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

8. POSTEMPLOYMENT BENEFITS

School Employees Retirement System

Health Care Plan Description – The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians’ fees through several types of plans including HMO’s, PPO’s, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS’ website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS’ Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS’ participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
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Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14% of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82% of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer’s SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2015, the School District’s surcharge obligation was \$36,381.

The School District’s contributions for health care for the fiscal years June 30, 2015, 2014, and 2013 were \$28,000, \$3,000 and \$4,000, respectively. For fiscal year 2015, 86% has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2014 and 2013.

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. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District’s contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$77,000, and \$77,000, respectively. The full amount has been contributed for fiscal years 2014 and 2013.

9. EMPLOYEE BENEFITS

Compensated Absences

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

10. LONG-TERM OBLIGATIONS

During the fiscal year 2015, the following changes occurred in long-term obligations. The long-term obligations at June 30, 2014 have been restated as described in Note 17.

	Principal Outstanding 7/1/14	Additions	Reductions	Principal Outstanding 6/30/15	Amounts Due in One Year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 18,692,448	-	(830,000)	17,862,448	855,000
Accreted interest on bonds	14,216	13,617	-	27,833	-
Unamortized premiums	174,766	-	(6,473)	168,293	-
Capital leases	207,033	-	(58,870)	148,163	63,051
Compensated absences	1,028,103	80,214	(111,355)	996,962	63,786
Net pension liability:					
STRS	21,378,048	-	(3,431,301)	17,946,747	-
SERS	3,999,891	-	(595,769)	3,404,122	-
Total	45,494,505	93,831	(5,033,768)	40,554,568	981,837
<i>Business-type Activities:</i>					
Compensated absences	\$ 7,424	2,739	(2,594)	7,569	1,901
Net pension liability:					
SERS	546,524	-	(81,403)	465,121	-
	\$ 553,948	2,739	(83,997)	472,690	1,901

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

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

Series 2013 Classroom Facilities School Improvement Bonds – In April 2013, the School District issued \$9,822,448 in unlimited tax general obligation bonds, comprised of serial, term and capital appreciation bonds, to finance the construction of a new elementary school building. These bonds have a final maturity of December 1, 2032, bear interest rates ranging from 1.50 to 7.17%, and will be retired from the Debt Service Fund.

Series 2013B Classroom Facilities School Improvement Bonds – In May 2013, the School District issued \$3,820,000 in general obligation bonds, comprised of serial and term bonds, to refinance bond anticipation notes issued in December 2012, to finance the construction of the new elementary school building. These bonds have a final maturity of December 1, 2040, bear interest rates ranging from 1.375% to 4.0%, and will be retired from the Debt Service Fund.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

Capital Leases – During a prior fiscal year, the School District entered into capital lease agreements for phone and copier equipment in the amount of \$300,820. These leases meet the criteria of a capital lease as defined by generally accepted accounting principles, which define a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments were reflected as debt service expenditures in the General Fund.

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

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2015 are as follows:

Fiscal Year Ending June 30,		Principal	Interest	Total
2016	\$	855,000	647,332	1,502,332
2017		885,000	614,797	1,499,797
2018		925,000	580,669	1,505,669
2019		955,000	544,850	1,499,850
2020		985,000	567,725	1,552,725
2021-2025		4,032,448	2,019,072	6,051,520
2026-2030		2,395,000	1,476,387	3,871,387
2031-2035		2,760,000	1,047,903	3,807,903
2036-2040		3,325,000	476,194	3,801,194
2041		745,000	14,637	759,637
Total	\$	<u>17,862,448</u>	<u>7,989,566</u>	<u>25,852,014</u>

The following is a schedule of future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2015:

Fiscal Year Ending June 30,		Capital Leases
2016	\$	77,110
2017		77,110
2018		<u>19,278</u>
Total		173,498
Less amount representing interest		<u>(25,335)</u>
Present value of minimum lease payments	\$	<u>148,163</u>

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

11. FUND BALANCES

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

<u>Governmental Fund Balances</u>	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Restricted for</i>					
Set-asides	\$ 78,607	-	-	-	78,607
Classroom Facilities	-	-	14,987,544	317,370	15,304,914
Scholarships	-	-	-	21,827	21,827
Athletics	-	-	-	16,303	16,303
Miscellaneous State Grants	-	-	-	40,528	40,528
Vocational Education	-	-	-	981	981
Debt Service Payments	-	3,189,856	-	-	3,189,856
<i>Total Restricted</i>	<u>78,607</u>	<u>3,189,856</u>	<u>14,987,544</u>	<u>397,009</u>	<u>18,653,016</u>
<i>Assigned to</i>					
Capital Improvements	-	-	-	74,674	74,674
Encumbrances	124,058	-	-	-	124,058
Public School Support	3,263	-	-	-	3,263
<i>Total Assigned</i>	<u>127,321</u>	<u>-</u>	<u>-</u>	<u>74,674</u>	<u>201,995</u>
<i>Unassigned (Deficit)</i>	<u>(499,902)</u>	<u>-</u>	<u>-</u>	<u>(387,500)</u>	<u>(887,402)</u>
<i>Total</i>	<u>\$ (293,974)</u>	<u>3,189,856</u>	<u>14,987,544</u>	<u>84,183</u>	<u>17,967,609</u>

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

12. JOINTLY GOVERNED ORGANIZATIONS

The Hamilton Clermont Cooperative Association

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

The Great Oaks Institute of Technology and Career Development

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

13. INSURANCE PURCHASING POOLS

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

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

The Clermont County Health Trust

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

14. CONTINGENCIES

Federal and State Funding

The 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, the effects of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the School District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

Litigation

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

15. REQUIRED SET-ASIDES

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

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

		<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside reserve balance as of June 30, 2014	\$	-	78,607
Current year set-aside requirement		371,068	-
Current year qualifying expenditures		(122,324)	-
Current year offsets		(112,842)	-
Unused bond proceeds for classroom facilities		<u>(135,902)</u>	<u>-</u>
Total		<u>-</u>	<u>78,607</u>
Set-aside reserve balance as of June 30, 2015	\$	<u>-</u>	<u>78,607</u>

16. ACCOUNTABILITY AND COMPLIANCE

Accountability

At June 30, 2015, the following funds had a deficit fund balance:

General Fund	\$	293,974
Other Governmental Funds:		
Race to the Top Fund		86,370
Title I Fund		138,336
Improving Teacher Quality Grant Fund		162,794

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

Compliance

The School District has a deficit cash fund balance in noncompliance with Ohio Revised Code Section 5705.10 in the General, Race to the Top, Title I, and Improving Teacher Quality Grant funds; noncompliance with Ohio Revised Code Sections 5705.36 and 5705.39 for appropriations in excess of estimated resources; noncompliance with Ohio Revised Code Section 5705.36(A)(4) for appropriations in excess of actual resources; noncompliance with Ohio Revised Code Sections 5705.40 and 5705.41(B) for expenditures in excess of appropriations; and noncompliance with Ohio Revised Code Section 5705.41(D) for not properly establishing purchase orders prior to being invoiced.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

17. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT

The School District implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. These statements established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. The implementation of these pronouncements had the following effect on net position as reported at June 30, 2014:

		<u>Food Service</u>	
Net Position at June 30, 2014	\$	49,348	
Adjustments:			
Net pension liability		(546,524)	
Deferred outflows - payments subsequent to measurement date		<u>37,388</u>	
Restated Net Position at June 30, 2014	\$	<u><u>(459,788)</u></u>	
		<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net Position at June 30, 2014	\$	15,574,596	62,371
Adjustments:			
Net pension liability		(25,377,939)	(546,524)
Deferred outflows - payments subsequent to measurement date		<u>1,329,045</u>	<u>37,388</u>
Restated Net Position at June 30, 2014	\$	<u><u>(8,474,298)</u></u>	<u><u>(446,765)</u></u>

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2015

Additionally, the School District restated beginning fund balances in the General and Debt Services Funds to reclassify tangible personal property tax receipts into the proper governmental fund. The School District also restated beginning fund balances in the General and Other Governmental Funds to reclassify expenditures in grant funds that exceeded possible resources. The restatements are as follows:

	General	Debt Service	Other Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Fund Balance at June 30, 2014	\$ (338,437)	2,602,155	(253,194)
Adjustments:			
Tangible personal property tax reclassifications	(264,748)	264,748	-
Grant fund excess expenditure classifications	<u>(159,048)</u>	<u>-</u>	<u>159,048</u>
Restated Fund Balance at June 30, 2014	\$ <u><u>(762,233)</u></u>	<u><u>2,866,903</u></u>	<u><u>(94,146)</u></u>

18. CURRENT FINANCIAL CONDITION

As of the fiscal year ended June 30, 2015, the School District had a deficit fund balance in its General Fund. Throughout the fiscal year, the School District expensed several federal grant funds in excess of possible resources for the applicable grant years. These excess expenditures have become the responsibility of the General Fund. Adjustments were made to accurately portray the School District’s current financial condition. Other contributing factors include Tangible personal property tax reimbursements, which have been reclassified from the General fund to the appropriate fund (Debt Service fund). The District’s five-year forecast does show steadily increasing fund balances within the General fund. However, as of the opinion date, the General fund balance deficit is \$293,974, thus indicating that general operations of the School District are being covered by other, healthier funds.

REQUIRED SUPPLEMENTARY INFORMATION

BATAVIA LOCAL SCHOOL DISTRICT

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund

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

General Fund

Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	6,572,793	6,572,793	6,730,232	157,439
Payments in lieu of taxes	1,000,000	1,061,000	1,052,507	(8,493)
Tuition and fees	120,000	143,000	141,901	(1,099)
Interest	4,000	4,900	4,814	(86)
Intergovernmental	10,843,957	11,701,307	11,603,575	(97,732)
Other local revenues	584,000	547,000	542,684	(4,316)
Total revenues	<u>19,124,750</u>	<u>20,030,000</u>	<u>20,075,713</u>	<u>45,713</u>
Expenditures:				
Current:				
Instruction:				
Regular	9,100,000	9,517,943	9,514,621	3,322
Special education	4,200,000	4,478,130	4,463,149	14,981
Other instruction	15,000	15,111	14,912	199
Support services:				
Pupil	400,000	408,002	403,788	4,214
Instructional staff	125,000	136,001	139,552	(3,551)
Board of Education	200,000	236,742	235,309	1,433
Administration	1,250,000	1,354,476	1,336,173	18,303
Fiscal	610,000	700,151	635,793	64,358
Operation and maintenance of plant	1,200,000	1,289,487	1,314,552	(25,065)
Pupil transportation	1,350,000	1,380,154	1,412,858	(32,704)
Central	125,000	130,964	128,682	2,282
Non-instructional services:				
Extracurricular activities	250,000	251,853	239,088	12,765
Debt service	50,000	50,371	49,794	577
Total expenditures	<u>18,875,000</u>	<u>19,949,385</u>	<u>19,888,271</u>	<u>61,114</u>
Excess of revenues over (under) expenditures	249,750	80,615	187,442	106,827
Other financing sources (uses):				
Transfers out	(125,000)	(215,000)	(125,000)	90,000
Other financing sources	-	-	4,438	4,438
Total other financing sources (uses):	<u>(125,000)</u>	<u>(215,000)</u>	<u>(120,562)</u>	<u>94,438</u>
Net change in fund balance	124,750	(134,385)	66,880	201,265
Fund balance (deficit), beginning of year, <i>restated</i>	(519,315)	(519,315)	(519,315)	
Prior year encumbrances appropriated	146,774	146,774	146,774	
Fund balance (deficit), end of year	<u>(247,791)</u>	<u>(506,926)</u>	<u>(305,661)</u>	

See accompanying notes to required supplementary information.

BATAVIA LOCAL SCHOOL DISTRICT

Required Supplementary Information

Notes to Required Supplementary Information

Year Ended June 30, 2015

Budgetary Basis of Accounting

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

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

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

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

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

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

	<u>General</u>
Net change in fund balance - GAAP Basis	\$ 468,259
Increase / (decrease):	
Due to inclusion of the Public School Support Fund	5,119
Due to inclusion of the Employee Benefits Fund	49,437
Due to revenues	(98,200)
Due to expenditures	(167,030)
Due to other sources (uses)	4,438
Due to encumbrances	<u>(195,143)</u>
Net change in fund balance - Budget Basis	<u>\$ 66,880</u>

BATAVIA LOCAL SCHOOL DISTRICT

Required Supplementary Information

Notes to Required Supplementary Information

Year Ended June 30, 2015

Restatement

The School District restated beginning fund balances in the General and Debt Service Funds to reclassify tangible personal property tax receipts into the proper governmental fund. The School District also restated beginning fund balances in the General and Other Governmental Funds to reclassify expenditures in grant funds that exceeded possible resources. These restatements have the following effect on the beginning fund balance on the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis), for the General Fund:

	<u>General</u>
Fund Balance at June 30, 2014	\$ (95,519)
Adjustments:	
Tangible personal property tax reclassifications	(264,748)
Grant fund excess expenditure reclassifications	<u>(159,048)</u>
Restated Fund Balance at June 30, 2014	<u><u>\$ (519,315)</u></u>

BATAVIA LOCAL SCHOOL DISTRICT

Required Supplementary Information

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

School Employees Retirement System of Ohio

Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.076453%	0.076453%
School District's Proportionate Share of the Net Pension Liability	\$ 3,869,243	\$ 4,546,415
School District's Covered-Employee Payroll	\$ 2,244,019	\$ 2,271,893
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered-Employee Payroll	172.42%	200.12%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	71.70%	65.52%

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

BATAVIA LOCAL SCHOOL DISTRICT

Required Supplementary Information

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

State Teachers Retirement System of Ohio

Last Two Fiscal Years (1)

	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.07378369%	0.07378369%
School District's Proportionate Share of the Net Pension Liability	\$ 17,946,747	\$ 21,378,048
School District's Covered-Employee Payroll	\$ 8,118,554	\$ 8,281,815
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered-Employee Payroll	221.06%	258.13%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	74.70%	69.30%

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

BATAVIA LOCAL SCHOOL DISTRICT

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 472,258	\$ 311,021	\$ 314,430
Contributions in Relation to the Contractually Required Contributions	<u>(472,258)</u>	<u>(311,021)</u>	<u>(314,430)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered-Employee Payroll	\$ 3,583,141	\$ 2,244,019	\$ 2,271,893
Contributions as a Percentage of Covered- Employee Payroll	13.18%	13.86%	13.84%

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

BATAVIA LOCAL SCHOOL DISTRICT

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 1,090,173	\$ 1,055,412	\$ 1,076,636
Contributions in Relation to the Contractually Required Contributions	<u>(1,090,173)</u>	<u>(1,055,412)</u>	<u>(1,076,636)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered-Employee Payroll	\$ 7,786,950	\$ 8,118,554	\$ 8,281,815
Contributions as a Percentage of Covered- Employee Payroll	14.00%	13.00%	13.00%

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

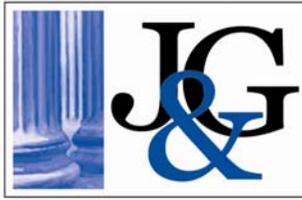
SUPPLEMENTARY INFORMATION

**BATAVIA LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Child Nutrition Grant Cluster:			
(D)(E) School Breakfast Program	10.553	2015	\$ 121,347
(C)(E) National School Lunch Program-Food Donation	10.555	2015	50,664
(D)(E) National School Lunch Program	10.555	2015	368,383
Total National School Lunch Program			419,047
Total U.S. Department of Agriculture and Child Nutrition Grant Cluster			540,394
U.S DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies	84.010	2014	54,869
Title I Grants to Local Educational Agencies	84.010	2015	556,091
Total Title I Grants To Local Educational Agencies			610,960
Special Education Grant Cluster:			
(F) Special Education_Grants to States	84.027	2015	370,704
(F) Special Education_Preschool Grants	84.173	2015	7,494
Total Special Education Grant Cluster			378,198
Improving Teacher Quality State Grant:	84.367	2015	77,419
Teacher Incentive Fund	84.374A	2015	176,372
ARRA - Race to the Top, Recovery Act	84.395A	2014	3,009
ARRA - Race to the Top, Recovery Act	84.395A	2015	2,693
Total ARRA - Race to the Top, Recovery Act			5,702
U.S DEPARTMENT OF EDUCATION PASSED THROUGH THE GREAT OAKS INSTITUTE OF TECHNOLOGY & CAREER DEVELOPMENT			
Career and Technical Education_Basic Grants to States	84.048	2014	569
Career and Technical Education_Basic Grants to States	84.048	2015	3,055
Total Career and Technical Education_Basic Grants to States			3,624
Total U.S. Department of Education			1,252,275
Total Federal Financial Assistance			\$ 1,792,669

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass through numbers for fiscal year 2015.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) Included as part of the "Child Nutrition Grant Cluster" in determining major programs.
- (F) Included as part of the "Special Education Grant Cluster" in determining major programs.



Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By *Government Auditing Standards*

Batavia Local School District
Clermont County
2400 Clermont Center Drive
Suite 240P
Batavia, Ohio 45103

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 Batavia Local School District, Clermont County, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Batavia Local School District's basic financial statements and have issued our report thereon dated February 23, 2016, wherein we noted as discussed in Note 17, during the fiscal year ended June 30, 2015, the Batavia Local School District adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. In addition, a prior period restatement was required to reclassify tangible personal property tax reimbursements from the General Fund to the Debt Service Fund and grant fund expenditures were reclassified from Other Governmental Funds to the General Fund as disclosed in note 17. Also, as disclosed in Note 18, the District is experiencing a distressed current financial condition.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Batavia Local School 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 opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Batavia Local School District's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal controls, described in the accompanying schedule of findings and responses that we consider material weaknesses. We consider findings 2015-003 and 2015-009 to be material weaknesses.

Board of Education
Batavia Local School District

Compliance and Other Matters

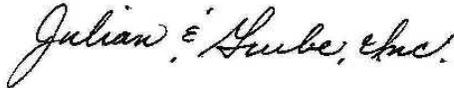
As part of reasonably assuring whether the Batavia Local School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and responses as items 2015-001, 2015-002, and 2015-004 through 2015-008.

Batavia Local School District's Responses to Findings

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

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 Batavia Local School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Batavia Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
February 23, 2016



Julian & Grube, Inc.

Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report on Compliance With Requirements Applicable to each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Batavia Local School District
Clermont County
2400 Clermont Center Drive
Suite 240P
Batavia, Ohio 45103

To the Board of Education:

Report on Compliance for each Major Federal Program

We have audited the Batavia Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Batavia Local School District's major federal programs for the fiscal year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of findings and responses identifies the Batavia Local School District's major federal programs.

Management's Responsibility

The Batavia Local School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Batavia Local School District's compliance for each of the Batavia Local School District's major federal programs 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 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 Batavia Local School 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 Batavia Local School District's major programs. However, our audit does not provide a legal determination of the Batavia Local School District's compliance.

Board of Education
Batavia Local School District

Opinion on each Major Federal Program

In our opinion, the Batavia Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings and responses as item 2015-010. This finding did not require us to modify our compliance opinion on each major federal program.

The Batavia Local School District's response to our noncompliance finding is described in the accompanying schedule of findings and responses. We did not audit the Batavia Local School District's response and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The Batavia Local School 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 Batavia Local School 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 OMB Circular A-133, 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 Batavia Local School 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 compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
February 23, 2016

**BATAVIA LOCAL SCHOOL DISTRICT
CLERMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	Yes
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Child Nutrition Grant Cluster: School Breakfast Program (CFDA #10.553) and National School Lunch Program (CFDA #10.555); Title I Grants to Local Education Agencies (CFDA #84.010)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

**BATAVIA LOCAL SCHOOL DISTRICT
CLERMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2015-001

Ohio Revised Code Section 5705.10 in part requires that on a cash basis, no fund shall have a negative fund balance during the year or at year end unless it is a School District that meets the allowable exceptions criteria.

At June 30, 2015, the District had the following negative fund balances that did not meet the allowable exceptions criteria:

	Negative Fund Balance June 30, 2015
<u>Major Governmental Fund:</u>	
General Fund	\$ 110,518
<u>Nonmajor Governmental Funds:</u>	
Race to the Top	81,505
Title I Fund	68,923
Improving Teacher Quality Grants Fund	155,540

By having a negative fund balance, these funds have spent other funds' balances. This could indicate insufficient monitoring of appropriations and related expenditures and continual review of cash management. No fund should have a negative cash fund balance throughout the year or at year end.

We recommend that the District properly expend monies only after funds have been received and subsequent to proper appropriation. If funds are anticipated, but not yet received and expenditures are necessary, the District should advance or transfer funds from the General Fund with proper Board approval. We recommend the District utilize its accounting software program to its fullest and continually review relevant reports to assist in preventing negative fund balances.

Client Response: These funds will be corrected during fiscal year 2016 and In the future all negative fund balances will be made whole within the current fiscal year unless there are monies due to the fund, such as in the case of federal fund reimbursements.

Finding Number	2015-002
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Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The District had 25.37% of examined expenditures that were not certified in a timely manner.

Without timely certification, the District may expend more funds than available in the treasury, or in the process of collection, or appropriated. This may also result in unnecessary purchases.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. The District may also use "Then & Now" certification to approve a purchase order, when applicable.

**BATAVIA LOCAL SCHOOL DISTRICT
CLERMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-002 - (Continued)

Client Response: We continually try to remind staff that purchases are not to be made until they have a purchase order or purchase order number in hand. In addition to this, another complicating factor has been the fact that we are now doing all requisitions and purchase orders electronically through OnBase. Previous to this, the treasurer would review each invoice and compare it to the purchase order date to make sure the purchase order date preceded the invoice date and in the event it did not, the treasurer stamped the invoice with a Then and Now Certificate. Going forward, we will continue to work with staff to make sure they only purchase things once they have a purchase order or purchase order number and the assistant treasurer who does accounts payable will stamp any invoice with a date that precedes the purchase order date with a Then and Now Certificate and provide to the treasurer to review and sign the certificate.

Finding Number	2015-003
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Material Weakness: Financial Statement Presentation:

The presentation of materially correct financial statements and the related footnotes is the responsibility of management and is an important part of the District's overall purpose. Financial reporting requires internal controls to help ensure the accuracy of the activity reported.

The following are material weaknesses' related to financial statement presentation:

- For the year ended June 30, 2015, it was determined that the Tangible Personal Property Tax Reimbursement had been improperly posted to the District's accounting system and financial statements. The amount improperly posted for fiscal year 2015 was \$88,249 which should have been recorded in the Debt Service Fund and not recorded in the General Fund. This caused the General Fund to be overstated and the Debt Service Fund to be understated by the respective amount.
- For the year ended June 30, 2015, it was determined that the Tangible Personal Property Tax Reimbursement had been improperly posted to the District's accounting system as described above. This same error in reporting was found to be uncorrected in fiscal years 2012, 2013, and 2014 causing a prior period restatement as shown in Note 17. The total effect of this error was a \$264,748 overstatement of the General Fund and understatement of the Debt Service Fund.
- For the year ended June 30, 2015, the District improperly allocated its Net Pension Liability, Deferred Inflows of Resources, and Deferred Outflows of Resources for The State Teachers Retirement System (STRS) to its Food Service Fund, which is presented as a Business Type Activity/Proprietary Fund on the Financial Statements. The effect of this error resulted in an overstatement of Net Pension Liability of \$407,518, an overstatement of Deferred Inflows of Resources of \$82,439, and an overstatement of Deferred Outflows of Resources of \$4,269 in the Business Type Activities/Proprietary Fund and an understatement in the Governmental Activities for the respective areas.
- A prior period adjustment was necessary to properly record tangible personal property tax reimbursements and excess expenditures of grant awards in the other Governmental Funds and the General fund. This restatement resulted in increasing the Other Governmental Funds fund balance and decreasing the General Funds fund balance for the year ended June 30, 2014.

**BATAVIA LOCAL SCHOOL DISTRICT
CLERMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-003 - (Continued)

- For the year ended June 30, 2015, numerous adjustments were made to the financial statements to properly record tangible personal property tax reimbursements and excess expenditures of grant awards in the other Governmental Funds and the General fund. These adjustments resulted in increasing the Other Governmental Funds fund balance and decreasing the General Funds fund balance.

The audited financial statements and the District’s records have been adjusted for the misstatements above.

Failure to properly record and report amounts material to the financial statements can result in the Board making financial decisions based on the inaccurate data presented to them.

We recommend that the District develop a more effective review process of its financial statements to help avoid and prevent any material misstatements related to the Districts annual financial reports.

Client Response: For sections relating to Tangible Personal Property tax, for several years we have received conflicting information as to if any of these funds had to be distributed to bond retirement funds. Ultimately, after this audit we understand that a portion of these funds should be distributed to some bond retirement funds. The reason for the confusion in the past is that the distribution to the bond retirement funds is only required for bond retirement funds that were in place when tangible personal property reimbursements began being paid and not for bond retirement funds that came about later. We have both types of bond retirement funds, our high school bond retirement fund that was in place when tangible personal property tax reimbursements began and our elementary bond retirement fund that was not in place when tangible personal property tax reimbursements began being paid. An adjustment will be made for the first tangible personal property tax reimbursement that has already been receipted to move a portion of the receipt to the high school bond retirement fund. Going forward, for the second tangible personal property tax reimbursement that will be received this year and in following years, the required portion of these receipts will be distributed to the high school bond retirement fund. These adjustments were made in January 2016.

For the section relating to pension liabilities, this was a mistake made by the compiler that we hired to do our financial statements. The adjustment was recommended to them and corrected.

For the section relating to excess grant fund expenditures, all of these adjustments will be made and in the future should not be necessary.

Finding Number	2015-004
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Ohio Revised Code Section 5705.40 outlines the requirements for amending and supplementing appropriations. This section requires that any amendments to an appropriation measure must be made by Board resolution and comply with the same provisions of the law as used in developing the original appropriations.

The District did not properly modify its appropriations throughout the fiscal year ended June 30, 2015.

By not timely and properly modifying the appropriations, the potential to overspend in certain funds exists.

**BATAVIA LOCAL SCHOOL DISTRICT
CLERMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-004 - (Continued)

We recommend the District comply with the Ohio Revised Code and monitor appropriations and certified resources to ensure proper budgeting and to prevent excess spending. In addition, the District should monitor its budgetary process on a regular basis and make amendments as necessary.

Client Response: In the past we have done a temporary appropriation measure in June of the preceding fiscal year, followed by a permanent appropriation in September and then a final appropriation measure in June of the current fiscal year. Going forward we will do additional appropriation measures as needed.

Finding Number	2015-005
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Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

For the fiscal year ended June 30, 2015, the following fund had expenditures plus outstanding encumbrances in excess of appropriations at the legal level of control:

	Appropriations	Expenditures Plus Encumbrances	Excess
Classroom Facilities Fund	\$ 5,533,864	\$ 20,396,857	\$ 14,862,993

With expenditures exceeding appropriations, the District is spending monies that have not lawfully been appropriated by the Board of Education. This may result in unnecessary spending.

We recommend the District comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring their expenditures so they do not exceed lawful appropriations and amending the budget as needed throughout the fiscal year. This may be achieved by monitoring the budget more closely on a continual basis.

Client Response: This excess of expenditures over encumbrances was a result of not knowing exactly how much would be expended on the new building project. In the future we will work with the architect to get a better idea as to what to expect pay applications will total and will determine appropriations based on this.

Finding Number	2015-006
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Ohio Revised Code Section 5705.36 in part, requires subdivisions to request increased or reduced amended certificates of estimated resources upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the last certified amended certificate.

The District did not request timely amended certificates throughout the fiscal year upon notice of increased or decreased resources.

The District is not properly certifying its most current estimated resources to the appropriate authorities and thus causing appropriations to exceed estimated resources, throughout the fiscal year and at fiscal year-end.

**BATAVIA LOCAL SCHOOL DISTRICT
CLERMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-006 - (Continued)

We recommend that the District review its available resources versus its appropriations throughout the fiscal year and file amended certificates when necessary. This will facilitate the District's appropriation process.

Client Response: In the past we have only done amended certificates at the beginning of the year and at the end of the year. Going forward we will do additional amended certificates as needed.

Finding Number	2015-007
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Ohio Revised Code Section 5705.39 requires that a subdivision's total appropriations from each fund should not exceed total estimated resources.

The District had total appropriations exceeding total estimated resources in the following funds at June 30, 2015:

	Appropriations	Estimated Resources	Excess
General Fund	\$ 20,017,611	\$ 19,510,685	\$ (506,926)
IDEA Part B	370,704	370,626	(78)
Title I	611,032	541,807	(69,225)

With appropriations exceeding estimated resources, the District may spend more funds than in the Treasury or in process of collection and cause fund deficits. The General Fund appropriations exceeded total estimated resources primarily due to an audit adjustment that was not known by the client at the budget was established.

We recommend the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 and continually monitor appropriations versus estimated resources records. If it is determined that estimated resources will be different than initially anticipated, the District should amend its estimate and also amend the appropriations as necessary; however, appropriations should not exceed estimated resources.

Client Response: These were oversights that will be corrected in the future.

Finding Number	2015-008
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Ohio Revised Code Section 5705.36 (A)(4) states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

**BATAVIA LOCAL SCHOOL DISTRICT
CLERMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-008 - (Continued)

The District had appropriations in excess of actual resources, which consists of actual revenues and beginning unencumbered fund balance, in the following funds at June 30, 2015:

	Appropriations	Actual Resources	Excess
General Fund	\$ 20,017,611	\$ 19,560,836	\$ (456,775)
Race to The Top	12,051	(75,577)	(87,628)
Title I	611,032	541,807	(69,225)

By appropriating more funds than actual resources, the District is at risk of spending more money than is available; this may result in negative fund balances. The General Fund appropriations exceeded total estimated resources primarily due to an audit adjustment that was not known by the client at the budget was established.

We recommend the District monitor estimated resources in comparison with actual resources and appropriations, and if necessary, obtain a decreased amended certificate and amend appropriations accordingly. Further guidance may be found in Auditor of State bulletin 97-010.

Client Response: Going forward we will do amended appropriations and amended certificates of estimated resources as needed.

Finding Number	2015-009
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Material Weakness – Federal Grant Receipt Controls

Proper controls over the receipt process help minimize the risk of loss, whether due to fraud or error.

The District did not timely submit for reimbursement of the 2015 Grant year Teacher Incentive Grant, thus forfeiting approximately \$47,800 allowable for reimbursement for that period.

Without proper controls the district may be exposed to risk of loss, whether due to fraud or error.

We recommend that all receipts, especially recurring receipts, be reviewed and accounted for by the Treasurer and reviewed by the Board members through monthly financial reports. The District should consider restructuring the internal control process over federal grant receipts where applicable.

**BATAVIA LOCAL SCHOOL DISTRICT
CLERMONT COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2015-009 - (Continued)

Client Response: The allocated, but not received amount of \$47,800 is made up of two TIF programs, one with an allocation of \$74,968.92 of which \$25,114.56 was not received and one with an allocation of \$140,109.26 of which \$22,708.96 was not received. The Ohio TIF program established the budgets for these programs and for some of the budgeted areas we did not utilize all of the funds budgeted because they were not needed. For instance for the \$25,114.56 allocated, but not received amount the following was allocated, but not needed:

Supplies and Copying costs not expended - \$1,674.89
 Travel costs not expended - \$607.03
 Terra Nova and ACT testing not expended - \$22,832.64
 Additionally, for the \$22,708.96 allocated, but not received amount the following was allocated, but not needed:

Battelle for Kids, Sustainable Data and Feedback - \$8,100
 Ted Ziegler, Increasing the Efficiency of OPES - \$14,608.86

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS	
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Finding Number	2015-010
CFDA Title and Number	N/A
Federal Award Number/Year	2015
Federal Agency	U.S. Department of Education; U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Education

Non-compliance Finding

31 U.S.C. 7502(a)(1)(A) requires non-federal entities that expend \$500,000 or more in a year in Federal Awards shall have an annual Single or Program-Specific audit conducted for that year and filed with the Federal Audit Clearing House within nine months after year end.

The District expended \$2,023,166, in the fiscal year ended June 30, 2014 but did not file their reporting packet with the Federal Audit Clearinghouse until July, 2015.

We recommend that upon completion of the annual audit, that the District ensure timely filing of all required reports to the Federal Audit Clearinghouse.

Client Response: Due to the timing of the release of the June 30, 2014 audit it was impossible to submit this filing timely. Starting this year, for the June 30, 2015 audit and going forward timely filing will be completed.

**BATAVIA LOCAL SCHOOL DISTRICT
CLERMONT COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2015**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2014-001	<u>Material Noncompliance</u> - Ohio Revised Code Section 5705.10 states in part that money that is paid into a fund must be used only for the purpose for which a fund has been established. At June 30, 2014 the District had several funds with negative fund balances.	No	Repeated as finding 2015-001
2014-002	<u>Noncompliance Finding</u> - 31 U.S.C. 7502(a)(1)(A) requires non-federal entities that expend \$500,000 or more in a year in Federal Awards shall have an annual Single or Program-Specific audit conducted for that year and filed with the Federal Audit Clearing House within nine months after year end. The District did not file its reporting package with the Federal Audit Clearinghouse within nine months.	No	Repeated as finding 2015-010



Dave Yost • Auditor of State

BATAVIA LOCAL SCHOOL DISTRICT

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 26, 2016**