

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

**BASIC FINANCIAL STATEMENTS
(AUDITED)**

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2016***

MICHAEL ASHMORE, TREASURER



Dave Yost • Auditor of State

Board of Directors
Batavia Local School District
800 Bauer Ave
Batavia, OH 45103

We have reviewed the *Independent Auditor's Report* of the Batavia Local School District, Clermont County, prepared by Julian & Grube, Inc., for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 3, 2017

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

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Independent Auditor's Report

Batavia Local School District
Clermont County
800 Bauer Avenue
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, 2016, 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, 2016, 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.

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

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

The schedule is management's responsibility, and derives from and 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 this 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 January 29, 2017, 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, 2016**

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, 2016. 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 2016 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 \$4.6 million driven primarily by recognition of the School District's proportionate share of State-wide pension systems' net pension liabilities.
- ✓ In total, net position increased by approximately \$2.7 million.
- ✓ The School District had \$22.9 million in expenses related to governmental activities; only \$2.8 million of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$22.7 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 \$1,049,774 from a deficit of (\$293,974) at June 30, 2015 to a balance of \$755,800 at June 30, 2016.

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, 2016
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
Management's Discussion and Analysis
Year Ended June 30, 2016
Unaudited

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, 2016
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, 2016 and 2015:

	Governmental		Business-Type		Total	
	Activities		Activities			
	FY16	FY15	FY16	FY15	FY16	FY15
Current and other assets	\$ 24,217,588	34,233,809	179,662	102,679	24,397,250	34,336,488
Capital assets	26,240,140	11,431,975	29,576	9,586	26,269,716	11,441,561
Total assets	<u>50,457,728</u>	<u>45,665,784</u>	<u>209,238</u>	<u>112,265</u>	<u>50,666,966</u>	<u>45,778,049</u>
Deferred outflows of resources	2,893,557	1,707,409	63,782	60,729	2,957,339	1,768,138
Long-term liabilities:						
Net pension liability	24,323,417	21,350,869	485,458	465,121	24,808,875	21,815,990
Other long-term amounts	18,323,145	19,203,699	7,796	7,569	18,330,941	19,211,268
Other liabilities	4,369,455	1,707,829	71,294	50,695	4,440,749	1,758,524
Total liabilities	<u>47,016,017</u>	<u>42,262,397</u>	<u>564,548</u>	<u>523,385</u>	<u>47,580,565</u>	<u>42,785,782</u>
Deferred inflows of resources	10,633,792	12,011,441	53,027	75,490	10,686,819	12,086,931
Net position:						
Net investment in capital assets	13,517,066	2,173,739	29,576	9,586	13,546,642	2,183,325
Restricted:						
For capital purposes	1,206,720	12,217,346	-	-	1,206,720	12,217,346
For debt service	3,613,534	3,100,015	-	-	3,613,534	3,100,015
Other purposes	652,224	565,753	-	-	652,224	565,753
Unrestricted (deficit)	<u>(23,288,068)</u>	<u>(24,957,498)</u>	<u>(374,131)</u>	<u>(435,467)</u>	<u>(23,662,199)</u>	<u>(25,392,965)</u>
Total net position	\$ <u>(4,298,524)</u>	<u>(6,900,645)</u>	<u>(344,555)</u>	<u>(425,881)</u>	<u>(4,643,079)</u>	<u>(7,326,526)</u>

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

BATAVIA LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2016
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
Management's Discussion and Analysis
Year Ended June 30, 2016
Unaudited

Total assets increased by approximately \$4.9 million while total liabilities increased by \$4.8 million. The decrease in current and other assets of approximately \$10.0 million and corresponding increase in capital assets of approximately \$14.8 million was attributable to using funds to work on construction of a new elementary school under the Ohio School Facilities Commission program. The increase in liabilities was primarily due to increases in payables associated with the construction projects and lower investment returns experienced by the State-wide pensions systems, increasing other liabilities and net pension liabilities, respectively.

BATAVIA LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2016
Unaudited

B. Governmental and Business-type Activities during fiscal year 2016

The following table presents a condensed summary of the School District's activities during fiscal year 2016 and 2015 and the resulting change in net position:

	Governmental		Business-Type		Total	
	Activities		Activities			
	FY16	FY15	FY16	FY15	FY16	FY15
Revenues:						
Program revenues:						
Charges for services and sales	\$ 1,315,592	1,398,592	320,368	292,728	1,635,960	1,691,320
Operating grants and contributions	1,494,615	1,315,437	626,526	551,022	2,121,141	1,866,459
Total program revenues	2,810,207	2,714,029	946,894	843,750	3,757,101	3,557,779
General revenues:						
Property taxes	8,682,483	8,194,382	-	-	8,682,483	8,194,382
Payments in lieu of taxes	1,884,076	1,295,044	-	-	1,884,076	1,295,044
Grants and entitlements	11,469,068	10,728,754	-	-	11,469,068	10,728,754
Investment earnings	23,959	25,586	-	-	23,959	25,586
Miscellaneous	656,407	641,371	-	-	656,407	641,371
Total general revenues	22,715,993	20,885,137	-	-	22,715,993	20,885,137
Total revenues	25,526,200	23,599,166	946,894	843,750	26,473,094	24,442,916
Expenses:						
Instruction	15,980,477	15,380,089	-	-	15,980,477	15,380,089
Support services:						
Pupil	373,620	374,421	-	-	373,620	374,421
Instructional staff	155,332	128,075	-	-	155,332	128,075
Board of Education	274,926	228,789	-	-	274,926	228,789
Administration	1,398,312	1,502,475	-	-	1,398,312	1,502,475
Fiscal	658,267	605,391	-	-	658,267	605,391
Operation and maintenance of plant	1,358,801	1,308,021	-	-	1,358,801	1,308,021
Pupil transportation	1,498,634	1,254,153	-	-	1,498,634	1,254,153
Central	141,871	128,544	-	-	141,871	128,544
Non-instructional services	438,732	416,187	-	-	438,732	416,187
Interest and fiscal charges	645,107	699,368	-	-	645,107	699,368
Food services	-	-	777,163	729,459	777,163	729,459
Uniform school supplies	-	-	88,405	93,407	88,405	93,407
Total expenses	22,924,079	22,025,513	865,568	822,866	23,789,647	22,848,379
Change in net position	2,602,121	1,573,653	81,326	20,884	2,683,447	1,594,537
Beginning net position	(6,900,645)	(8,474,298)	(425,881)	(446,765)	(7,326,526)	(8,921,063)
Ending net position	\$ (4,298,524)	(6,900,645)	(344,555)	(425,881)	(4,643,079)	(7,326,526)

BATAVIA LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
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Of the total governmental activities revenues of \$25,526,200, \$2,810,207 (11%) 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, 38% (\$8,682,483) comes from property tax levies and 50% (\$11,469,068) comes from state funding. The School District's operations are reliant upon its property tax levy and the state's foundation program.

Total revenue increased by \$2 million, due to better collections of real estate taxes and payments in lieu of taxes, with improvement in the local economy, experiencing increases in school foundation funding received from the State, benefiting from favorable increases in the State's biennium budget bill, and receiving more State and Federal funding to support cafeteria operations, as the School District implemented new strategies to increase sales and reimbursements from the State and Federal governments.

Total expenses increased by \$941,268, or 4%, due to increases in personnel salaries and benefits and increases in repairs and maintenance on the School District's aging bus fleet.

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 \$15,980,477, but program revenue contributed to fund 16% of those costs. Thus, general revenues of \$13,414,983 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	\$ 15,980,477	2,565,494	16%	13,414,983
Support services	5,859,763	105,743	2%	5,754,020
Non-instructional services	438,732	138,970	32%	299,762
Interest and fiscal charges	<u>645,107</u>	<u>-</u>	0%	<u>645,107</u>
Total	\$ <u>22,924,079</u>	<u>2,810,207</u>	<u>12%</u>	<u>20,113,872</u>

BATAVIA LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
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Unaudited

Business-type Activities

Net position of the business-type activities increased by \$81,326, compared to the increase of \$20,884 in the prior fiscal year, due to implementation of new strategies to increase sales and reimbursements from the State and Federal governments and strengthening our charge policy and collection of outstanding charges.

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 of Services	Program Revenue	Revenues as a % of Total Costs	Net Cost (Revenue) of Services
Food services	\$ 777,163	851,152	110%	(73,989)
School supplies	<u>88,405</u>	<u>95,742</u>	108%	<u>(7,337)</u>
Total	\$ <u>865,568</u>	<u>946,894</u>	<u>109%</u>	<u>(81,326)</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 96% (\$23,171,204) of the total \$24,217,588 governmental fund assets.

General Fund. Fund balance at June 30, 2016 was \$755,800, an increase of \$1,049,774 from the prior fiscal year, as revenues increased by approximately \$1.3 million, or 6% based on the strength of tax collections and increased State funding, previously discussed. Total expenditures increased by approximately \$651,000, or 3% primarily to salary increases previously discussed, and absorbing program expenditures previously funded with grant funds.

Debt Service Fund. Fund balance at June 30, 2016 was \$3,648,147. 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, 2017.

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 2016.

BATAVIA LOCAL SCHOOL DISTRICT
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Unaudited

Proprietary funds

Food Service Fund. This fund was established to account for the School District's cafeteria operations. The fund experienced an increase of \$73,989, due to new efforts to increase revenues, 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 2016, 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 less than 1%. Actual revenue came in slightly higher due to conservative budgeting and higher than anticipated property tax revenue. Original budgeted expenditures were increased by 7% during the year to account for increases in salaries due to step increases and a one-time 0.05% increase in base pay. Actual expenditures and transfers came in \$754,963 under budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

At June 30, 2016, 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>FY16</u>	<u>FY15</u>	<u>FY16</u>	<u>FY15</u>	<u>FY16</u>	<u>FY15</u>
Land	\$ 1,230,447	1,230,447	-	-	1,230,447	1,230,447
Construction in progress	20,098,021	4,698,993	-	-	20,098,021	4,698,993
Land improvements	76,249	197,333	-	-	76,249	197,333
Buildings and improvements	4,555,059	4,917,764	-	-	4,555,059	4,917,764
Equipment and furniture	81,216	164,380	29,576	9,586	110,792	173,966
Vehicles	199,148	223,058	-	-	199,148	223,058
Total	\$ <u>26,240,140</u>	<u>11,431,975</u>	<u>29,576</u>	<u>9,586</u>	<u>26,269,716</u>	<u>11,441,561</u>

BATAVIA LOCAL SCHOOL DISTRICT
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Unaudited

Debt

As of June 30, 2016, the School District had \$17,007,448 outstanding in general obligation bonds after making \$855,000 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, 800 Bauer Avenue, Batavia, Ohio 45103.

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2016

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 4,115,674	\$ 160,294	\$ 4,275,968
Receivables:			
Taxes	9,407,053	-	9,407,053
Accounts	90,029	2,079	92,108
Intergovernmental	3,974,782	-	3,974,782
Interest	1,494	-	1,494
Supplies inventory	-	17,289	17,289
Restricted cash and investments	6,628,556	-	6,628,556
Nondepreciable capital assets	21,328,468	21,460	21,349,928
Depreciable capital assets, net	4,911,672	8,116	4,919,788
Total assets	<u>50,457,728</u>	<u>209,238</u>	<u>50,666,966</u>
Deferred Outflows of Resources:			
Pensions	<u>2,893,557</u>	<u>63,782</u>	<u>2,957,339</u>
Liabilities:			
Accounts payable	2,496,684	23,438	2,520,122
Accrued wages and benefits	1,598,033	43,296	1,641,329
Intergovernmental payable	223,470	4,560	228,030
Accrued interest payable	51,268	-	51,268
Noncurrent liabilities:			
Due within one year	1,010,435	3,153	1,013,588
Due within more than one year:			
Net pension liability	24,323,417	485,458	24,808,875
Other amounts due more than one year	17,312,710	4,643	17,317,353
Total liabilities	<u>47,016,017</u>	<u>564,548</u>	<u>47,580,565</u>
Deferred Inflows of Resources:			
Property taxes	7,297,042	-	7,297,042
Payment in lieu of taxes	1,500,000	-	1,500,000
Pensions	1,836,750	53,027	1,889,777
Total deferred inflows of resources	<u>10,633,792</u>	<u>53,027</u>	<u>10,686,819</u>
Net Position:			
Net investment in capital assets	13,517,066	29,576	13,546,642
Restricted for:			
Capital projects	1,206,720	-	1,206,720
Debt service	3,613,534	-	3,613,534
Other purposes	652,224	-	652,224
Unrestricted (deficit)	<u>(23,288,068)</u>	<u>(374,131)</u>	<u>(23,662,199)</u>
Total net position	<u>\$ (4,298,524)</u>	<u>\$ (344,555)</u>	<u>\$ (4,643,079)</u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Activities

Year Ended June 30, 2016

	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	\$ 10,590,747	\$ 1,176,622	\$ 412,557	\$ (9,001,568)	\$ -	\$ (9,001,568)
Special education	5,377,218	-	976,315	(4,400,903)	-	(4,400,903)
Other instruction	12,512	-	-	(12,512)	-	(12,512)
Support services:						
Pupil	373,620	-	73,529	(300,091)	-	(300,091)
Instructional staff	155,332	-	26,814	(128,518)	-	(128,518)
Board of Education	274,926	-	-	(274,926)	-	(274,926)
Administration	1,398,312	-	-	(1,398,312)	-	(1,398,312)
Fiscal	658,267	-	5,400	(652,867)	-	(652,867)
Operation and maintenance of plant	1,358,801	-	-	(1,358,801)	-	(1,358,801)
Pupil transportation	1,498,634	-	-	(1,498,634)	-	(1,498,634)
Central	141,871	-	-	(141,871)	-	(141,871)
Non-instructional services:						
Extracurricular activities	438,732	138,970	-	(299,762)	-	(299,762)
Interest on long-term debt	645,107	-	-	(645,107)	-	(645,107)
Total Governmental Activities	<u>22,924,079</u>	<u>1,315,592</u>	<u>1,494,615</u>	<u>(20,113,872)</u>	<u>-</u>	<u>(20,113,872)</u>
Business-Type Activities:						
Food Service	777,163	224,626	626,526	-	73,989	73,989
Uniform School Supplies	88,405	95,742	-	-	7,337	7,337
Total Business-Type Activities	<u>865,568</u>	<u>320,368</u>	<u>626,526</u>	<u>-</u>	<u>81,326</u>	<u>81,326</u>
	<u>\$ 23,789,647</u>	<u>\$ 1,635,960</u>	<u>\$ 2,121,141</u>	<u>(20,113,872)</u>	<u>81,326</u>	<u>(20,032,546)</u>
General Revenues:						
Property taxes, levied for general purposes				7,203,400	-	7,203,400
Property taxes, levied for debt services				1,381,688	-	1,381,688
Property taxes, levied for classroom maintenance				97,395	-	97,395
Payments in lieu of taxes				1,884,076	-	1,884,076
Grants and entitlements not restricted to specific programs				11,469,068	-	11,469,068
Investment earnings				23,959	-	23,959
Miscellaneous				656,407	-	656,407
Total general revenues				<u>22,715,993</u>	<u>-</u>	<u>22,715,993</u>
Change in net position				2,602,121	81,326	2,683,447
Net position beginning of year				(6,900,645)	(425,881)	(7,326,526)
Net position end of year				<u>\$ (4,298,524)</u>	<u>\$ (344,555)</u>	<u>\$ (4,643,079)</u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2016

	General	Debt Service	Classroom Facilities Project	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments	\$ 103,620	\$ 3,126,659	\$ -	\$ 885,395	\$ 4,115,674
Restricted cash and investments	78,607	-	6,549,949	-	6,628,556
Receivables:					
Taxes	7,290,288	1,999,488	-	117,277	9,407,053
Accounts	90,029	-	-	-	90,029
Accrued interest	790	-	704	-	1,494
Intergovernmental	2,204,137	490,813	1,236,120	43,712	3,974,782
Total assets	<u>\$ 9,767,471</u>	<u>\$ 5,616,960</u>	<u>\$ 7,786,773</u>	<u>\$ 1,046,384</u>	<u>\$ 24,217,588</u>
Liabilities:					
Accounts payable	\$ 446,409	\$ -	\$ 2,037,416	\$ 12,859	\$ 2,496,684
Accrued wages and benefits	1,303,685	-	-	294,348	1,598,033
Intergovernmental payable	205,900	-	-	17,570	223,470
Total liabilities	<u>1,955,994</u>	<u>-</u>	<u>2,037,416</u>	<u>324,777</u>	<u>4,318,187</u>
Deferred Inflows of Resources:					
Property taxes	5,550,389	1,654,325	-	92,328	7,297,042
Payments in lieu of taxes	1,215,000	270,000	-	15,000	1,500,000
Unavailable revenue	290,288	44,488	1,236,120	18,736	1,589,632
Total deferred inflows of resources	<u>7,055,677</u>	<u>1,968,813</u>	<u>1,236,120</u>	<u>126,064</u>	<u>10,386,674</u>
Fund Balances:					
Restricted	78,607	3,648,147	4,513,237	558,158	8,798,149
Assigned	50,519	-	-	114,176	164,695
Unassigned (Deficit)	626,674	-	-	(76,791)	549,883
Total fund balances	<u>755,800</u>	<u>3,648,147</u>	<u>4,513,237</u>	<u>595,543</u>	<u>9,512,727</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 9,767,471</u>	<u>\$ 5,616,960</u>	<u>\$ 7,786,773</u>	<u>\$ 1,046,384</u>	<u>\$ 24,217,588</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, 2016

Total Governmental Fund Balances		\$ 9,512,727
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.		26,240,140
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.		1,589,632
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	(17,169,268)	
Accreted interest on bonds	(42,441)	
Compensated absences	(1,026,324)	
Capital leases	(85,112)	
Accrued interest payable	<u>(51,268)</u>	
Total		(18,374,413)
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	2,893,557	
Deferred inflows - pensions	(1,836,750)	
Net pension liability	<u>(24,323,417)</u>	
Total		<u>(23,266,610)</u>
Net Position of Governmental Activities		\$ <u><u>(4,298,524)</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, 2016

	General	Debt Service	Classroom Facilities Project	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 6,991,364	\$ 1,350,879	\$ -	\$ 95,112	\$ 8,437,355
Tuition and fees	1,176,622	-	-	-	1,176,622
Investment earnings	12,137	-	11,367	455	23,959
Payments in lieu of taxes	1,521,006	343,375	-	19,695	1,884,076
Intergovernmental	11,217,593	240,593	4,913,354	1,742,971	18,114,511
Other local revenues	637,397	-	-	157,980	795,377
Total revenues	<u>21,556,119</u>	<u>1,934,847</u>	<u>4,924,721</u>	<u>2,016,213</u>	<u>30,431,900</u>
Expenditures:					
Current:					
Instruction:					
Regular	9,772,927	-	-	485,351	10,258,278
Special education	4,501,369	-	-	913,205	5,414,574
Other instruction	14,951	-	-	-	14,951
Support services:					
Pupil	348,931	-	-	32,635	381,566
Instructional staff	136,604	-	-	24,141	160,745
Board of Education	275,226	-	-	-	275,226
Administration	1,399,160	-	-	2,864	1,402,024
Fiscal	634,487	23,056	-	7,088	664,631
Operation and maintenance of plant	1,260,204	-	-	-	1,260,204
Pupil transportation	1,507,714	-	-	-	1,507,714
Central	130,696	-	-	11,175	141,871
Non-instructional services:					
Extracurricular activities	233,134	-	-	129,812	362,946
Capital outlay	-	-	15,399,028	63,582	15,462,610
Debt Service:					
Principal	98,051	820,000	-	-	918,051
Interest and fiscal charges	27,891	633,500	-	-	661,391
Total expenditures	<u>20,341,345</u>	<u>1,476,556</u>	<u>15,399,028</u>	<u>1,669,853</u>	<u>38,886,782</u>
Excess of revenues over (under) expenditures	<u>1,214,774</u>	<u>458,291</u>	<u>(10,474,307)</u>	<u>346,360</u>	<u>(8,454,882)</u>
Other financing sources (uses):					
Transfers in	-	-	-	165,000	165,000
Transfers out	(165,000)	-	-	-	(165,000)
Total other financing sources (uses):	<u>(165,000)</u>	<u>-</u>	<u>-</u>	<u>165,000</u>	<u>-</u>
Net change in fund balance	1,049,774	458,291	(10,474,307)	511,360	(8,454,882)
Fund balance (deficit), beginning of year	(293,974)	3,189,856	14,987,544	84,183	17,967,609
Fund balance (deficit), end of year	<u>\$ 755,800</u>	<u>\$ 3,648,147</u>	<u>\$ 4,513,237</u>	<u>\$ 595,543</u>	<u>\$ 9,512,727</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, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ (8,454,882)
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	15,399,028
Depreciation expense	(590,863)
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.	
	861,473
Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
	63,051
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	
	24,419
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.	
	(29,362)
Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the funds.	
	(4,905,700)
Accretion of capital appreciation bonds do not require use of current financial resources are not reported in the governmental funds	
	(14,608)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.	
	1,637,753
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>(1,388,188)</u>
Change in Net Position of Governmental Activities	\$ <u>2,602,121</u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Net Position

Proprietary Funds

June 30, 2016

	<u>Food Service</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Assets:			
Current assets:			
Equity in pooled cash and investments	\$ 139,063	\$ 21,231	\$ 160,294
Receivables:			
Accounts	2,079	-	2,079
Supplies inventory	17,289	-	17,289
Total current assets	<u>158,431</u>	<u>21,231</u>	<u>179,662</u>
Noncurrent assets:			
Nondepreciable capital assets	21,460	-	21,460
Depreciable capital assets, net	8,116	-	8,116
Total assets	<u>188,007</u>	<u>21,231</u>	<u>209,238</u>
Deferred Outflows of Resources:			
Pensions	<u>63,782</u>	-	<u>63,782</u>
Liabilities:			
Current liabilities:			
Accounts payable	21,460	1,978	23,438
Accrued wages	43,296	-	43,296
Intergovernmental payable	4,560	-	4,560
Compensated absences	3,153	-	3,153
Total current liabilities	<u>72,469</u>	<u>1,978</u>	<u>74,447</u>
Noncurrent liabilities:			
Compensated absences	4,643	-	4,643
Net pension liability	485,458	-	485,458
Total liabilities	<u>562,570</u>	<u>1,978</u>	<u>564,548</u>
Deferred Inflows of Resources:			
Pensions	<u>53,027</u>	-	<u>53,027</u>
Net Position:			
Investment in capital assets	29,576	-	29,576
Unrestricted (deficit)	<u>(393,384)</u>	<u>19,253</u>	<u>(374,131)</u>
Total net position	<u>\$ (363,808)</u>	<u>\$ 19,253</u>	<u>\$ (344,555)</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, 2016

	<u>Food Service</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Operating revenues:			
Charges for services	\$ 224,586	\$ 95,742	\$ 320,328
Operating expenses:			
Salaries and wages	236,040	-	236,040
Fringe benefits	151,471	-	151,471
Contractual services	8,346	-	8,346
Materials and supplies	379,796	88,405	468,201
Depreciation	1,470	-	1,470
Total operating expenses	<u>777,123</u>	<u>88,405</u>	<u>865,528</u>
Operating income (loss)	(552,537)	7,337	(545,200)
Nonoperating revenues:			
Federal and state grants	<u>626,526</u>	-	<u>626,526</u>
Total nonoperating revenues	<u>626,526</u>	-	<u>626,526</u>
Change in net position	73,989	7,337	81,326
Net position, beginning of year	<u>(437,797)</u>	<u>11,916</u>	<u>(425,881)</u>
Net position, end of year	<u>\$ (363,808)</u>	<u>\$ 19,253</u>	<u>\$ (344,555)</u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2016

	Food Service	Nonmajor Enterprise Funds	Total Enterprise Funds
Cash flows from operating activities:			
Cash received from customers	\$ 222,507	\$ 95,742	\$ 318,249
Cash payments for personal services	(395,203)	-	(395,203)
Cash payments for contract services	(8,346)	-	(8,346)
Cash payments for supplies and materials	(314,371)	(86,526)	(400,897)
Cash payments for other expenses	19,549	-	19,549
Net cash from operating activities	<u>(475,864)</u>	<u>9,216</u>	<u>(466,648)</u>
Cash flows from noncapital financing activities:			
Cash received from federal and state grants	<u>569,768</u>	<u>-</u>	<u>569,768</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets	<u>(21,460)</u>	<u>-</u>	<u>(21,460)</u>
Change in cash and cash equivalents	72,444	9,216	81,660
Cash and cash equivalents at beginning of year	<u>66,619</u>	<u>12,015</u>	<u>78,634</u>
Cash and cash equivalents at end of year	<u>\$ 139,063</u>	<u>\$ 21,231</u>	<u>\$ 160,294</u>
Reconciliation of operating income (loss) to net cash from operating activities:			
Operating income (loss)	\$ (552,537)	\$ 7,337	\$ (545,200)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	1,470	-	1,470
Donated commodities used	56,758	-	56,758
Changes in assets, liabilities and deferrals:			
Accounts receivable	(2,079)	-	(2,079)
Accounts payable	21,460	1,879	23,339
Supplies inventory	6,756	-	6,756
Accrued wages and benefits	1,031	-	1,031
Intergovernmental payable	(3,771)	-	(3,771)
Compensated absences payable	227	-	227
Deferred outflows - pensions	(3,053)	-	(3,053)
Deferred inflows - pensions	(22,463)	-	(22,463)
Net pension liability	<u>20,337</u>	<u>-</u>	<u>20,337</u>
Net cash from operating activities	<u>\$ (475,864)</u>	<u>\$ 9,216</u>	<u>\$ (466,648)</u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Net Position

Fiduciary Funds

June 30, 2016

	Private Purpose Trust	Agency Funds
ASSETS		
Equity in pooled cash and investments	\$ 12,529	59,090
Total assets	<u>12,529</u>	<u>59,090</u>
LIABILITIES		
Due to student groups	-	59,090
Total liabilities	<u>-</u>	<u>59,090</u>
NET POSITION		
Held in trust	\$ <u>12,529</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, 2016

	<u>Private Purpose Trust</u>
Additions:	
Contributions	\$ <u>4,000</u>
Deductions:	
Community gifts, awards and scholarships	<u>-</u>
Total deductions	<u>-</u>
 Change in net position	 4,000
 Net position, beginning of year	 <u>8,529</u>
Net position, end of year	\$ <u><u>12,529</u></u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2016

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 2,200 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, 2016

B. Basis of Presentation

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

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 statement of net position. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

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.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2016

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, 2016

D. Basis of Accounting

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

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

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

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

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

Deferred 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, 2016, but are intended to finance fiscal year 2017 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).

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2016

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.

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 appropriation resolutions, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at the level of control.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2016

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 2016, the School District's investments were limited to U.S. money markets and certificates of deposit.

The Governmental Accounting Standards Board Statement No. 72 (GASB 72), "*Fair Value Measurement and Application*", requires that investments be recorded at their fair value and that changes in the fair value be reported in the operating statement. The School District recorded its investments held at June 30, 2016 at fair value.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to agency funds, certain trust funds, and those 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.

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.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2016

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. Compensated Absences

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

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

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

J. Accrued Liabilities and Long-Term Obligations

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2016

K. 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.

L. 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.

M. Fund Balance

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

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

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

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.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2016

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

N. Net Position

Net position 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.

O. Estimates

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

2. DEPOSITS 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.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2016

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);
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":

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2016

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 \$7,166,708 was either covered by FDIC or collateralized in the manner described above.

Investments

The School District's investment in money market funds at June 30, 2016 was \$3,944,351.

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 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 2016 represent collections of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015 and are collected in calendar year 2016 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, 2016 are available to finance fiscal year 2016 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2016

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes, which became measurable as of June 30, 2016. 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, 2016 was \$1,449,611 in the General Fund, \$300,675 in the Debt Service Fund and \$21,672 in the Other Governmental Funds.

The assessed values upon which fiscal year 2016 taxes were collected are:

	<u>2015 Second- Half Collections</u>		<u>2016 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 202,128,760	94.24%	201,282,040	93.85%
Public Utility	<u>12,352,930</u>	5.76%	<u>13,195,100</u>	6.15%
Total Assessed Value	\$ <u><u>214,481,690</u></u>	100.00%	<u><u>214,477,140</u></u>	100.00%
Tax rate per \$1,000 of assessed valuation	\$59.61		\$59.61	

4. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2016 consisted of the following:

	<u>Transfers</u>	
	<u>In</u>	<u>Out</u>
General Fund	\$ -	165,000
Other Governmental Funds	<u>165,000</u>	-
	\$ <u><u>165,000</u></u>	<u><u>165,000</u></u>

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 2016 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, 2016

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance 7/1/15	Additions	Disposals	Balance 6/30/16
Governmental Activities				
Nondepreciable:				
Land	\$ 1,230,447	-	-	1,230,447
Construction in progress	4,698,993	15,399,028	-	20,098,021
Subtotal	<u>5,929,440</u>	<u>15,399,028</u>	<u>-</u>	<u>21,328,468</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>27,738,620</u>	<u>15,399,028</u>	<u>-</u>	<u>43,137,648</u>
Less accumulated depreciation:				
Land improvements	2,739,192	121,084	-	2,860,276
Buildings and improvements	9,171,892	362,705	-	9,534,597
Equipment and furniture	1,216,396	83,164	-	1,299,560
Vehicles	3,179,165	23,910	-	3,203,075
Total accumulated depreciation	<u>16,306,645</u>	<u>590,863</u>	<u>-</u>	<u>16,897,508</u>
Capital assets, net	<u>\$ 11,431,975</u>	<u>14,808,165</u>	<u>-</u>	<u>26,240,140</u>

Depreciation expense was charged to functions as follows:

Instruction:	
Regular	\$ 438,485
Support services:	
Instructional staff	1,340
Operation and maintenance of plant	45,717
Pupil transportation	23,911
Extracurricular activities	<u>81,410</u>
Total depreciation expense	<u>\$ 590,863</u>

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2016

	Balance 7/1/15	Additions	Disposals	Balance 6/30/16
Business-type Activities:				
Nondepreciable:				
Construction in progress	\$ -	21,460	-	21,460
Depreciable:				
Furniture and equipment	179,764	-	-	179,764
Less accumulated depreciation	<u>(170,178)</u>	<u>(1,470)</u>	<u>-</u>	<u>(171,648)</u>
Capital assets, net	<u>\$ 9,586</u>	<u>19,990</u>	<u>-</u>	<u>29,576</u>

Depreciation expense of \$1,470 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 2016, 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 2016, 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 2016, 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, 2016

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
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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, 2016 the allocation to pension, death benefits, and Medicare B was 14%.

The School District's contractually required contribution to SERS was \$485,753 for fiscal year 2016. Of this amount, \$37,374 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.

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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, 2016, plan members were required to contribute 13% 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 School District's contractually required contribution to STRS was approximately \$1,208,980 for fiscal year 2016. Of this amount, \$190,656 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, 2015, 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	\$4,045,480	\$20,763,395	\$24,808,875
Proportion of the Net Pension Liability	0.0708975%	0.07512877%	
Pension Expense	\$438,647	\$1,001,343	\$1,439,990

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
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At June 30, 2016, 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	\$ 56,683	\$ 944,187	\$ 1,000,870
Change in School District's proportionate share	-	261,736	261,736
School District's contributions subsequent to the measurement date	<u>485,753</u>	<u>1,208,980</u>	<u>1,694,733</u>
Total Deferred Outflows of Resources	<u>\$ 542,436</u>	<u>\$ 2,414,903</u>	<u>\$ 2,957,339</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$ 228,810	\$ 1,447,884	\$ 1,676,694
Change in School District's proportionate share	<u>213,083</u>	<u>-</u>	<u>213,083</u>
Total Deferred Inflows of Resources	<u>\$ 441,893</u>	<u>\$ 1,447,884</u>	<u>\$ 1,889,777</u>

\$1,694,733 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, 2017. 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>
2017	\$ (145,969)	\$ (257,206)	\$ (403,175)
2018	(145,969)	(257,206)	(403,175)
2019	(146,303)	(257,205)	(403,508)
2020	<u>53,031</u>	<u>529,656</u>	<u>582,687</u>
	<u>\$ (385,210)</u>	<u>\$ (241,961)</u>	<u>\$ (627,171)</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.

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
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	<u>15.00</u>	7.50
Total	<u>100.00 %</u>	

BATAVIA LOCAL SCHOOL DISTRICT
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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.

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	\$5,609,627	\$4,045,480	\$2,728,339

Changes Between Measurement Date and Report Date - In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the Schools District’s net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the July 1, 2015, 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, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
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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	100.00 %	

Discount Rate – The discount rate used to measure the total pension liability was 7.75% as of June 30, 2015. 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, 2015. 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, 2015.

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	\$28,841,921	\$20,763,395	\$13,931,796

Social Security System

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2016

8. POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder for the employer 14% contribution to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2016, the health care allocation is 0.00%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. By statute, no employer shall pay a health care surcharge greater than 2.0% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for health care surcharge. For fiscal year 2016, this amount was \$23,000. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. For fiscal year 2016, the School District's surcharge obligation was \$37,374.

None of the 14% employer contribution was allocated to the Health Care Fund for the fiscal year 2016. The School District's contributions for health care for the fiscal years June 30, 2015 and 2014 were \$28,000 and \$3,000, respectively.

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

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for fiscal year ended June 30, 2014 was \$77,000.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2016

9. EMPLOYEE BENEFITS

Compensated Absences

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

10. LONG-TERM OBLIGATIONS

During the fiscal year 2016, the following changes occurred in long-term obligations.

	Principal Outstanding 7/1/15	Additions	Reductions	Principal Outstanding 6/30/16	Amounts Due in One Year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 17,862,448	-	(855,000)	17,007,448	885,000
Accreted interest on bonds	27,833	14,608	-	42,441	-
Unamortized premiums	168,293	-	(6,473)	161,820	-
Capital leases	148,163	-	(63,051)	85,112	67,528
Compensated absences	996,962	93,148	(63,786)	1,026,324	57,907
Net pension liability:					
STRS	17,946,747	2,816,648	-	20,763,395	-
SERS	3,404,122	155,900	-	3,560,022	-
Total	<u>40,554,568</u>	<u>3,080,304</u>	<u>(988,310)</u>	<u>42,646,562</u>	<u>1,010,435</u>
<i>Business-type Activities:</i>					
Compensated absences	\$ 7,569	2,128	(1,901)	7,796	3,153
Net pension liability:					
SERS	465,121	20,337	-	485,458	-
	<u>\$ 472,690</u>	<u>22,465</u>	<u>(1,901)</u>	<u>493,254</u>	<u>3,153</u>

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

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.

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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, 2040, 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.

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, 2016 are as follows:

Fiscal Year Ending June 30,		Principal	Interest	Total
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		907,448	529,107	1,436,555
2022-2026		3,610,000	1,812,346	5,422,346
2027-2031		2,425,000	1,404,750	3,829,750
2032-2036		2,865,000	941,465	3,806,465
2037-2041		3,450,000	346,534	3,796,534
Total	\$	<u>17,007,448</u>	<u>7,342,243</u>	<u>24,349,691</u>

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2016

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, 2016:

Fiscal Year Ending June 30,		Capital Leases
2017	\$	77,110
2018		<u>19,278</u>
Total		96,388
Less amount representing interest		<u>(11,276)</u>
Present value of minimum lease payments	\$	<u><u>85,112</u></u>

11. FUND BALANCES

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

Governmental Fund Balances	General	Debt Service	Classroom Facilities Project	Other Governmental Funds	Total Governmental Funds
<i>Restricted for</i>					
Set-asides	\$ 78,607	-	-	-	78,607
Classroom Facilities	-	-	4,513,237	441,373	4,954,610
Scholarships	-	-	-	22,254	22,254
Athletics	-	-	-	34,668	34,668
Miscellaneous State Grants	-	-	-	40,416	40,416
Vocational Education	-	-	-	1,668	1,668
Limited English Proficiency	-	-	-	1,118	1,118
Improving Teacher Quality	-	-	-	16,661	16,661
Debt Service Payments	-	<u>3,648,147</u>	-	-	<u>3,648,147</u>
<i>Total Restricted</i>	<u>78,607</u>	<u>3,648,147</u>	<u>4,513,237</u>	<u>558,158</u>	<u>8,798,149</u>
<i>Assigned to</i>					
Capital Improvements	-	-	-	114,176	114,176
Public School Support	<u>50,519</u>	-	-	-	<u>50,519</u>
<i>Total Assigned</i>	<u>50,519</u>	-	-	<u>114,176</u>	<u>164,695</u>
<i>Unassigned (Deficit)</i>	<u>626,674</u>	-	-	<u>(76,791)</u>	<u>549,883</u>
<i>Total</i>	<u>\$ 755,800</u>	<u>3,648,147</u>	<u>4,513,237</u>	<u>595,543</u>	<u>9,512,727</u>

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2016

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.

The Clermont County Health Trust

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2016

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, 2016, 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. Beginning with 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, 2016 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.

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, 2015	\$	-	78,607
Current year set-aside requirement		383,837	-
Current year qualifying expenditures		(472,884)	-
Current year offsets		(113,989)	-
Total		<u>(203,036)</u>	<u>78,607</u>
Set-aside reserve balance as of June 30, 2016	\$	<u>-</u>	<u>78,607</u>

The School District has qualifying disbursements during the fiscal year that reduced the set aside amount for capital improvements to below zero. The excess qualified expenditures do not carry forward to future periods.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2016

16. ACCOUNTABILITY AND COMPLIANCE

Accountability

At June 30, 2016, the following funds had a deficit fund balance:

Other Governmental Funds:	
Title I Fund	\$ 76,791
Major Enterprise Fund:	
Food Service Fund	363,808

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 had noncompliance with Ohio Revised Code Sections 5705.36 and 5705.39 for appropriations in excess of estimated resources and noncompliance with Ohio Revised Code Section 5705.36(A)(4) for appropriations in excess of actual resources.

17. COMMITMENTS

Encumbrances

The School District utilizes encumbrance accounting to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. The School District's outstanding encumbrance amounts at June 30, 2016 were:

General Fund	\$ 349,121
Classroom Facilities Project Fund	3,098,213
Other Governmental Funds	34,468
	<u>\$ 3,481,802</u>

Contractual Commitments

As of June 30, 2016, the School District had contractual purchase commitments as follows:

Contractor	Contract Amount	Amount Paid Through June 30, 2016	Remaining Contract Amount
Monarch Construction Co.	\$ 18,240,842	\$ 15,855,522	\$ 2,385,320
Zimmerman Construction Co.	423,238	-	423,238
Continental Construction, Inc.	361,675	-	361,675
School Specialty, Inc.	59,579	-	59,579
Total	<u>\$ 19,085,334</u>	<u>\$ 15,855,522</u>	<u>\$ 3,229,812</u>

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, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	6,880,217	6,885,727	6,885,753	26
Payments in lieu of taxes	1,079,640	1,068,950	531,869	(537,081)
Tuition and fees	1,238,725	1,238,725	1,176,622	(62,103)
Interest	5,000	5,000	11,347	6,347
Intergovernmental	10,008,363	9,999,148	10,871,620	872,472
Other local revenues	1,180,310	1,687,818	886,006	(801,812)
Total revenues	<u>20,392,255</u>	<u>20,885,368</u>	<u>20,363,217</u>	<u>(522,151)</u>
Expenditures:				
Current:				
Instruction:				
Regular	9,567,785	9,935,295	9,893,838	41,457
Special education	4,630,976	4,330,976	4,331,830	(854)
Other instruction	15,000	15,000	14,912	88
Support services:				
Pupil	250,053	450,053	361,193	88,860
Instructional staff	155,202	165,202	145,905	19,297
Board of Education	252,951	327,951	270,486	57,465
Administration	1,400,840	1,413,714	1,386,453	27,261
Fiscal	350,000	700,000	641,462	58,538
Operation and maintenance of plant	1,435,130	1,342,740	1,313,832	28,908
Pupil transportation	1,502,206	1,587,555	1,536,036	51,519
Central	135,000	175,000	130,696	44,304
Non-instructional services:				
Extracurricular activities	225,000	300,000	230,552	69,448
Debt service	50,000	50,000	48,831	1,169
Total expenditures	<u>19,970,143</u>	<u>20,793,486</u>	<u>20,306,026</u>	<u>487,460</u>
Excess of revenues over (under) expenditures	422,112	91,882	57,191	(34,691)
Other financing sources (uses):				
Transfers out	(125,000)	(125,000)	(165,000)	(40,000)
Total other financing sources (uses):	<u>(125,000)</u>	<u>(125,000)</u>	<u>(165,000)</u>	<u>(40,000)</u>
Net change in fund balance	297,112	(33,118)	(107,809)	(74,691)
Fund balance (deficit), beginning of year	(305,661)	(305,661)	(305,661)	
Prior year encumbrances appropriated	195,143	195,143	195,143	
Fund balance (deficit), end of year	<u>186,594</u>	<u>(143,636)</u>	<u>(218,327)</u>	

See accompanying notes to required supplementary information.

BATAVIA LOCAL SCHOOL DISTRICT
 Required Supplementary Information
 Notes to Budgetary Required Supplementary Information
 Year Ended June 30, 2016

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	\$ 1,049,774
Increase / (decrease):	
Due to inclusion of the Public School Support Fund	(47,256)
Due to revenues	(1,131,777)
Due to expenditures	370,571
Due to encumbrances	<u>(349,121)</u>
Net change in fund balance - Budget Basis	<u>\$ (107,809)</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 Three Measurement Periods (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.0708975%	0.076453%	0.076453%
School District's Proportionate Share of the Net Pension Liability	\$ 4,045,480	\$ 3,869,243	\$ 4,546,415
School District's Covered-Employee Payroll	\$ 3,583,141	\$ 2,244,019	\$ 2,271,893
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered-Employee Payroll	112.90%	172.42%	200.12%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	69.16%	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.

Amounts presented as of the School District's measurement date, which is the prior fiscal year.

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 Three Measurement Periods (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
School District's Proportion of the Net Pension Liability	0.07512877%	0.07378369%	0.07378369%
School District's Proportionate Share of the Net Pension Liability	\$ 20,763,395	\$ 17,946,747	\$ 21,378,048
School District's Covered-Employee Payroll	\$ 7,786,950	\$ 8,118,554	\$ 8,281,815
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered-Employee Payroll	266.64%	221.06%	258.13%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	72.09%	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.

Amounts presented as of the School District's measurement date, which is the prior fiscal year.

BATAVIA LOCAL SCHOOL DISTRICT

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 485,753	\$ 472,258	\$ 311,021	\$ 314,430
Contributions in Relation to the Contractually Required Contributions	<u>(485,753)</u>	<u>(472,258)</u>	<u>(311,021)</u>	<u>(314,430)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered-Employee Payroll	\$ 3,469,664	\$ 3,583,141	\$ 2,244,019	\$ 2,271,893
Contributions as a Percentage of Covered- Employee Payroll	14.00%	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 Four Fiscal Years (1)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contributions	\$ 1,208,980	\$ 1,090,173	\$ 1,055,412	\$ 1,076,636
Contributions in Relation to the Contractually Required Contributions	<u>(1,208,980)</u>	<u>(1,090,173)</u>	<u>(1,055,412)</u>	<u>(1,076,636)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District Covered-Employee Payroll	\$ 8,635,571	\$ 7,786,950	\$ 8,118,554	\$ 8,281,815
Contributions as a Percentage of Covered- Employee Payroll	14.00%	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.

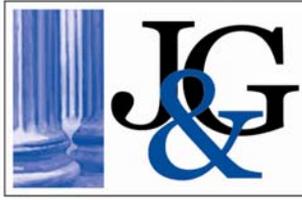
SUPPLEMENTARY INFORMATION

**BATAVIA LOCAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 Cluster:			
(C) (D) School Breakfast Program	10.553	2016	\$ 145,000
(C) (D) National School Lunch Program	10.555	2016	414,816
(D) (E) National School Lunch Program - Donations	10.555	2016	39,470
Total National School Lunch Program			454,286
Total U.S. Department of Agriculture and Child Nutrition Cluster			599,286
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION			
Title I Grants to Local Educational Agencies	84.010	2016	463,621
Title I Grants to Local Educational Agencies - Delinquent	84.010	2016	95,003
Total Title I Grants to Local Educational Agencies			558,624
Special Education Cluster:			
(F) Special Education_Grants to States	84.027	2016	375,748
(F) Special Education_Preschool Grants	84.173	2016	15,024
Total Special Education Cluster			390,772
English Language Acquisition State Grants - Title III Immigrant	84.365	2016	436
Improving Teacher Quality State Grants	84.367	2016	57,967
Teacher Incentive Fund	84.374A	2015	75,580
Teacher Incentive Fund	84.374A	2016	62,635
Total Teacher Incentive Fund			138,215
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE GREAT OAKS INSTITUTE OF TECHNOLOGY AND CAREER DEVELOPMENT			
Career and Technical Education_Basic Grants to States	84.048	2015	945
Career and Technical Education_Basic Grants to States	84.048	2016	1,932
Total Career and Technical Education_Basic Grants to States			2,877
Total U.S. Department of Education			1,148,891
Total Federal Financial Assistance			\$ 1,748,177

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2016.
- (B) This schedule includes the federal award activity of the Batavia Local School District under programs of the federal government for the fiscal year ended June 30, 2016 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Batavia Local School District, it is not intended to and does not present the financial position or changes in net position, of the Batavia Local School District.
- (C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (D) Included as part of "Child Nutrition Cluster" in determining major programs.
- (E) The Food Donation program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (F) Included as part of "Special Education Cluster" in determining major programs.
- (G) CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has elected not to use the 10% de minimis indirect cost rate.



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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
800 Bauer Avenue
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, 2016, 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 January 29, 2017.

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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

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 disclosed in the accompanying schedule of findings as items 2016-002 through 2016-004.

Batavia Local School District's Response to Findings

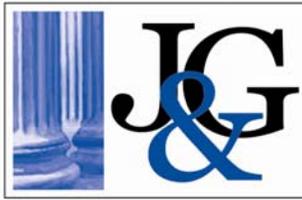
The Batavia Local School District's response to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the Batavia Local School District's responses and, accordingly, we express no opinion on them.

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.
January 29, 2017



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Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Batavia Local School District
Clermont County
800 Bauer Avenue
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) *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, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 each of 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, 2016.

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 the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the 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 over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
January 29, 2017

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

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 Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education Cluster Title I Grants to Local Educational Agencies, CFDA #84.010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	No

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2016-001

Material Weakness - Financial Statement Presentation:

Accurate financial reporting is required in order to provide management and citizens with objective and timely information to enable well-informed decisions.

An adjustment was made to the financial statements for the fiscal year ended June 30, 2016, to properly state the net pension liability and the related deferred outflows/inflows as well as adjustments to the financial statement presentation. These adjustments affected the governmental activities, business-type activities, and food service fund.

The audited financial statements and District records have been adjusted for the misstatements identified during the audit.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

We recommend the District consult with their auditors, an accounting/consulting firm and/or OASBO to consider obtaining an overall review of the financial statements and notes prior to submitting to the auditor as an additional internal control to help ensure accurate financial reporting.

Finding Number	2016-002
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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. Ohio Revised Code Section 5705.36 also requires the District to certify the proper unencumbered beginning balances to the County Auditor on or about the first of each fiscal year.

The District did not request timely amended certificates throughout the fiscal year upon notice of increased or decreased resources. Furthermore, the District did not certify the correct beginning unencumbered fund balances as of the beginning of the fiscal year.

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

We recommend the District review its available resources versus its appropriations throughout the fiscal year and file amended certificates when necessary. We also recommend the District review the unencumbered balances per its system to ensure the proper estimated resources are certified. This will facilitate the District's appropriation process.

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)	
Finding Number	2016-003

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 major funds at June 30, 2016:

	Appropriations	Estimated Resources	Excess
General Fund	\$ 20,723,343	\$ 20,579,707	\$ (143,636)
Classroom Facilities Fund	14,515,000	2,930,291	(11,584,709)

With appropriations exceeding estimated resources, the District may spend more funds than in the Treasury or in process of collection and cause fund deficits.

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.

Finding Number	2016-004
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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.

The District had appropriations in excess of actual resources, which consists of actual revenues and beginning unencumbered fund balance, in the following major funds at June 30, 2016:

	Appropriations	Actual Resources	Excess
General Fund	\$ 20,723,343	\$ 20,057,556	\$ (665,787)
Classroom Facilities Fund	14,515,000	3,610,336	(10,904,664)

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.

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2016**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2016-004 - (Continued)

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.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

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

**CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2016**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The District will work to provide a sound fiscal environment and has implemented policies and procedures to help with financial statement presentation.	Fiscal Year 2017	Michael Ashmore, Treasurer
2016-002	The District is attempting to monitor its budget more closely and to submit additional amendments for estimated resources more frequently throughout the fiscal year and at fiscal year-end. The District is also planning to update the beginning unencumbered balances to include outstanding encumbrances.	Fiscal Year 2017	Michael Ashmore, Treasurer
2016-003	The District will monitor the budget on a continual basis and make modifications as necessary to ensure appropriations do not exceed estimated resources.	Fiscal Year 2017	Michael Ashmore, Treasurer
2016-004	The District will monitor the budget on a continual basis and make modifications as necessary to ensure appropriations do not exceed actual resources.	Fiscal Year 2017	Michael Ashmore, Treasurer

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR § 200.511(b)
JUNE 30, 2016**

Finding Number	Year Initially Occurred	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
2015-001	2014	<u>Material Noncompliance</u> - 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 several negative fund balances that did not meet the allowable exceptions criteria.	Yes	N/A
2015-002	2015	<u>Material Noncompliance</u> - 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.	Partially	Repeated in the management letter. The District is still working on improving its processes to eliminate this noncompliance and has made some improvements, but will continue to improve the process.
2015-003	2015	<u>Material Weakness: Financial Statement Presentation</u> - 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. Several adjustments were posted to the audited financial statements to make them materially correct.	No	Repeated at 2016-001. The District is working to implement a more comprehensive review of its financial report, including the compiler's workpapers.
2015-004	2015	<u>Material Noncompliance</u> - 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	Yes	N/A

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR § 200.511(b)
JUNE 30, 2016**

Finding Number	Year Initially Occurred	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
2015-005	2015	<u>Material Noncompliance</u> - 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 Classroom Facilities fund had expenditures plus outstanding encumbrances in excess of appropriations at the legal level of control.	Yes	N/A
2015-006	2015	<u>Material Noncompliance</u> - 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.	No	Repeated at 2016-002. The District did not fully implement its plan to perform additional budgetary amendments throughout the year and will work to implement this process.
2015-007	2015	<u>Material Noncompliance</u> - 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 multiple funds at June 30, 2015.	No	Repeated at 2016-003. The District did not fully implement its plan to perform additional budgetary amendments throughout the year and will work to implement this process.
2015-008	2015	<u>Material Noncompliance</u> - 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. The District had appropriations in excess of actual resources, which consists of actual revenues and beginning unencumbered fund balance, in multiple funds at June 30, 2015.	No	Repeated at 2016-004. The District did not fully implement its plan to perform additional budgetary amendments throughout the year and will work to implement this process.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR § 200.511(b)
JUNE 30, 2016**

Finding Number	Year Initially Occurred	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
2015-009	2015	<u>Material Weakness - Federal Grant Receipt Controls</u> - 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.	Yes	N/A
2015-010	2014	<u>Material Noncompliance</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 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.	Yes	N/A



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
MARCH 16, 2017**