

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

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

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2014***

MICHAEL ASHMORE, TREASURER



Dave Yost • Auditor of State

Board of Education
Batavia Local School District
2400 Clermont Center Drive
Suite 240P
Batavia, Ohio 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, 2013 through June 30, 2014. 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

June 22, 2015

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

BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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Julian & Grube, Inc.

Serving Ohio Local Governments

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Independent Auditor's Report

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Batavia Local School District, Clermont County, Ohio, as of and for the fiscal year ended June 30, 2014, 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, 2014, 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*, and required budgetary comparison schedule listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2015, 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.



Julian & Grube, Inc.
April 24, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This discussion and analysis provides key information from management highlighting the overall financial performance of the Batavia Local School District for the year ended June 30, 2014. 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 2014 are listed below:

- ✓ The assets of the School District exceeded its liabilities and deferred inflows of resources at year-end by \$15.6 million.
- ✓ In total, net position increased by approximately \$13 million.
- ✓ The School District had \$21.6 million in expenses related to governmental activities; only \$2.6 million of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$32.1 million, made up primarily of property taxes and State funding provided the majority of funding for these programs.
- ✓ The General Fund deficit fund balance decreased by \$541,858 from a deficit of (\$880,295) at June 30, 2013 to a deficit of (\$338,437) at June 30, 2014.

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, 2014
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 inflows of resources, with the difference between the three 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, 2014
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.

BATAVIA LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2014
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, 2014 and 2013:

	Governmental		Business-Type		Total	
	Activities		Activities			
	FY14	FY13	FY14	FY13	FY14	FY13
Current and other assets	\$ 37,209,337	24,434,015	117,169	178,030	37,326,506	24,612,045
Capital assets	8,053,658	8,070,763	11,057	12,528	8,064,715	8,083,291
Total assets	<u>45,262,995</u>	<u>32,504,778</u>	<u>128,226</u>	<u>190,558</u>	<u>45,391,221</u>	<u>32,695,336</u>
Long-term liabilities	20,116,566	20,834,806	7,424	7,819	20,123,990	20,842,625
Other liabilities	1,864,274	1,817,856	58,431	75,742	1,922,705	1,893,598
Total liabilities	<u>21,980,840</u>	<u>22,652,662</u>	<u>65,855</u>	<u>83,561</u>	<u>22,046,695</u>	<u>22,736,223</u>
Deferred inflows of resources	<u>7,707,559</u>	<u>7,368,142</u>	<u>-</u>	<u>-</u>	<u>7,707,559</u>	<u>7,368,142</u>
Net position:						
Net investment in capital assets	1,947,676	1,861,013	11,057	12,528	1,958,733	1,873,541
Restricted:						
For capital purposes	12,191,193	-	-	-	12,191,193	-
For debt service	2,528,247	2,213,307	-	-	2,528,247	2,213,307
Other purposes	677,802	215,610	-	-	677,802	215,610
Unrestricted	<u>(1,770,322)</u>	<u>(1,805,956)</u>	<u>51,314</u>	<u>94,469</u>	<u>(1,719,008)</u>	<u>(1,711,487)</u>
Total net position	\$ <u>15,574,596</u>	<u>2,483,974</u>	<u>62,371</u>	<u>106,997</u>	<u>15,636,967</u>	<u>2,590,971</u>

Total assets increased by approximately \$12.7 million, while total liabilities decreased by \$690,000. The increase in assets was attributable to the approval of \$12.1 million in State funding under the Ohio School Facilities Commission program to construction a new elementary school. The decrease in liabilities was primarily due to making its scheduled debt service payments, whereas during fiscal year 2013, the School District issued \$13.6 million in classroom facilities improvement bonds to finance its share of the construction costs on the new elementary school project

BATAVIA LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2014
Unaudited

B. Governmental and Business-type Activities during fiscal year 2014

The following table presents a condensed summary of the School District's activities during fiscal year 2014 and 2013 and the resulting change in net position:

	Governmental		Business-Type		Total	
	Activities		Activities			
	FY14	FY13	FY14	FY13	FY14	FY13
Revenues:						
Program revenues:						
Charges for services and sales	\$ 1,230,367	1,178,251	287,173	309,568	1,517,540	1,487,819
Operating grants and contributions	<u>1,346,813</u>	<u>1,720,819</u>	<u>600,804</u>	<u>575,502</u>	<u>1,947,617</u>	<u>2,296,321</u>
Total program revenues	<u>2,577,180</u>	<u>2,899,070</u>	<u>887,977</u>	<u>885,070</u>	<u>3,465,157</u>	<u>3,784,140</u>
General revenues:						
Property taxes	8,215,954	7,232,410	-	-	8,215,954	7,232,410
Payments in lieu of taxes	1,163,712	965,298	-	-	1,163,712	965,298
Grants and entitlements	22,097,963	9,143,122	-	-	22,097,963	9,143,122
Investment earnings	88,122	(40,785)	-	-	88,122	(40,785)
Miscellaneous	<u>547,071</u>	<u>382,349</u>	<u>-</u>	<u>-</u>	<u>547,071</u>	<u>382,349</u>
Total general revenues	<u>32,112,822</u>	<u>17,682,394</u>	<u>-</u>	<u>-</u>	<u>32,112,822</u>	<u>17,682,394</u>
Total revenues	<u>34,690,002</u>	<u>20,581,464</u>	<u>887,977</u>	<u>885,070</u>	<u>35,577,979</u>	<u>21,466,534</u>
Expenses:						
Instruction	14,625,453	14,418,666	-	-	14,625,453	14,418,666
Support services:						
Pupil	444,884	417,450	-	-	444,884	417,450
Instructional staff	183,629	271,273	-	-	183,629	271,273
Board of Education	227,215	233,819	-	-	227,215	233,819
Administration	1,334,804	1,312,814	-	-	1,334,804	1,312,814
Fiscal	604,950	542,964	-	-	604,950	542,964
Operation and maintenance of plant	1,314,934	1,406,146	-	-	1,314,934	1,406,146
Pupil transportation	1,534,021	1,774,889	-	-	1,534,021	1,774,889
Central	109,408	26,775	-	-	109,408	26,775
Non-instructional services	402,631	420,021	-	-	402,631	420,021
Interest and fiscal charges	807,251	607,832	-	-	807,251	607,832
Food services	-	-	844,258	867,859	844,258	867,859
Uniform school supplies	<u>-</u>	<u>-</u>	<u>88,345</u>	<u>106,013</u>	<u>88,345</u>	<u>106,013</u>
Total expenses	<u>21,589,180</u>	<u>21,432,649</u>	<u>932,603</u>	<u>973,872</u>	<u>22,521,783</u>	<u>22,406,521</u>
Change in net position	\$ <u>13,100,822</u>	<u>(851,185)</u>	<u>(44,626)</u>	<u>(88,802)</u>	<u>13,056,196</u>	<u>(939,987)</u>

BATAVIA LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
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Total revenue increased by \$14.1 million, or 66%, primarily due to the approval of \$12.1 million in Ohio School Facilities Commission funding for the new elementary school building project. Additionally, property tax revenue increased due to additional collections associated with the school improvement and classroom facilities maintenance levies passed in November 2012 and increases in assessed property valuations. Total expenses only increased by approximately \$115,000, or less than 1%.

Of the total governmental activities revenues of \$34,690,002, \$2,577,180 (7%) 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, 26% (\$8,215,954) comes from property tax levies and 69% (\$22,097,963) comes from state funding. The School District's operations are reliant upon its property tax levy and the state's foundation program.

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 \$14,625,453, but program revenue contributed to fund 17% of those costs. Thus, general revenues of \$12,184,092 were needed to support of remainder of the instruction costs.

Governmental Activities					
		Total Cost	Program	Revenues	
		of Services	Revenue	as a % of	Net Cost
		<u> </u>	<u> </u>	Total Costs	<u>of Services</u>
Instruction	\$	14,625,453	2,441,361	17%	12,184,092
Support services		5,753,845	56,855	1%	5,696,990
Non-instructional services		402,631	78,964	20%	323,667
Interest and fiscal charges		807,251	-	0%	807,251
Total	\$	<u>21,589,180</u>	<u>2,577,180</u>	<u>12%</u>	<u>19,012,000</u>

Business-type Activities

Net position of the business-type activities decreased by \$44,626, compared to a decrease of \$88,802 in the prior fiscal year, due to controlling costs within food services.

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.

BATAVIA LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2014
Unaudited

	Business-type Activities		Revenues	Net Cost
	Total Cost of Services	Program Revenue	as a % of Total Costs	(Revenue) of Services
Food services	\$ 844,258	800,568	95%	43,690
School supplies	88,345	87,409	99%	936
Total	\$ <u>932,603</u>	<u>887,977</u>	<u>95%</u>	<u>44,626</u>

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The School District has three major governmental funds: the General Fund, the Debt Service Fund, and the Classroom Facilities Project Fund. Assets of these three funds comprised 98% (\$36,943,602) of the total \$37,661,533 governmental fund assets.

General Fund. Fund deficit at June 30, 2014 was (\$338,437), an increase of \$541,858 from the prior fiscal year, as revenues increased by approximately \$1.4 million. Significant increases include property taxes increasing by approximately \$377,000, as previously discussed, and intergovernmental revenue increasing by about \$669,000, due to increases in school foundation funding associated with the State's biennial budget changes. Additionally, the School District was able to contain costs, with total expenditures decreasing by approximately \$158,000, or less than 1%.

Debt Service Fund. Fund balance at June 30, 2014 was \$2,602,155. 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, 2015.

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

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 2014, the School District amended its General Fund budget with Clermont County as changes occurred in School District revenues and expenditures.

BATAVIA LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
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Original budgeted revenues were increased by 3% during the year due to increases in state school foundation payments. Original budgeted expenditures were increased by 4% during the year to account for increases in instruction expenditures. Actual revenues and expenditures were both within less than 1% of the final budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

At June 30, 2014, 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>FY14</u>	<u>FY13</u>	<u>FY14</u>	<u>FY13</u>	<u>FY14</u>	<u>FY13</u>
Land	\$	1,230,447	1,230,447	-	-	1,230,447	1,230,447
Construction in progress		655,808	-	-	-	655,808	-
Land improvements		318,417	441,786	-	-	318,417	441,786
Buildings and improvements		5,286,006	5,654,248	-	-	5,286,006	5,654,248
Equipment and furniture		249,192	334,004	11,057	12,528	260,249	346,532
Vehicles		313,788	410,278	-	-	313,788	410,278
Total	\$	<u>8,053,658</u>	<u>8,070,763</u>	<u>11,057</u>	<u>12,528</u>	<u>8,064,715</u>	<u>8,083,291</u>

Debt

As of June 30, 2014, the School District had \$18,692,448 outstanding in general obligation bonds after making \$655,000 in principal payments during the fiscal year. See Note 10 to the financial statements.

REQUESTS FOR ADDITIONAL INFORMATION

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

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2014

	Governmental	Business-Type	Total
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and investments	\$ 2,206,736	93,340	2,300,076
Receivables:			
Taxes	8,499,954	-	8,499,954
Accounts	2,039	746	2,785
Intergovernmental	11,351,210	-	11,351,210
Interest	3,593	-	3,593
Supplies inventory	-	23,083	23,083
Restricted cash and investments	15,145,805	-	15,145,805
Nondepreciable capital assets	1,886,255	-	1,886,255
Depreciable capital assets, net	<u>6,167,403</u>	<u>11,057</u>	<u>6,178,460</u>
Total assets	<u>45,262,995</u>	<u>128,226</u>	<u>45,391,221</u>
Liabilities:			
Accounts payable	123,187	1,087	124,274
Accrued wages and benefits	1,402,590	45,032	1,447,622
Intergovernmental payable	258,238	12,312	270,550
Accrued interest payable	80,259	-	80,259
Noncurrent liabilities:			
Due within one year	1,000,225	2,594	1,002,819
Due within more than one year	<u>19,116,341</u>	<u>4,830</u>	<u>19,121,171</u>
Total liabilities	<u>21,980,840</u>	<u>65,855</u>	<u>22,046,695</u>
Deferred Inflows of Resources:			
Property taxes	6,807,559	-	6,807,559
Payment in lieu of taxes	<u>900,000</u>	<u>-</u>	<u>900,000</u>
Total deferred inflows of resources	<u>7,707,559</u>	<u>-</u>	<u>7,707,559</u>
Net Position:			
Net investment in capital assets	1,947,676	11,057	1,958,733
Restricted for:			
Capital projects	12,191,193	-	12,191,193
Debt service	2,528,247	-	2,528,247
Other purposes	677,802	-	677,802
Unrestricted (deficit)	<u>(1,770,322)</u>	<u>51,314</u>	<u>(1,719,008)</u>
Total net position	<u>\$ 15,574,596</u>	<u>62,371</u>	<u>15,636,967</u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Activities
Year Ended June 30, 2014

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:						
Instruction:						
Regular	\$ 9,579,748	1,151,403	379,333	\$ (8,049,012)	-	(8,049,012)
Special education	5,030,226	-	910,625	(4,119,601)	-	(4,119,601)
Other instruction	15,479	-	-	(15,479)	-	(15,479)
Support services:						
Pupil	444,884	-	-	(444,884)	-	(444,884)
Instructional staff	183,629	-	9,049	(174,580)	-	(174,580)
Board of Education	227,215	-	-	(227,215)	-	(227,215)
Administration	1,334,804	-	42,406	(1,292,398)	-	(1,292,398)
Fiscal	604,950	-	5,400	(599,550)	-	(599,550)
Operation and maintenance of plant	1,314,934	-	-	(1,314,934)	-	(1,314,934)
Pupil transportation	1,534,021	-	-	(1,534,021)	-	(1,534,021)
Central	109,408	-	-	(109,408)	-	(109,408)
Non-instructional services:						
Extracurricular activities	402,631	78,964	-	(323,667)	-	(323,667)
Interest on long-term debt	807,251	-	-	(807,251)	-	(807,251)
Total Governmental Activities	<u>21,589,180</u>	<u>1,230,367</u>	<u>1,346,813</u>	<u>(19,012,000)</u>	<u>-</u>	<u>(19,012,000)</u>
Business-Type Activities:						
Food Service	844,258	199,764	600,804	-	(43,690)	(43,690)
Uniform School Supplies	88,345	87,409	-	-	(936)	(936)
Total Business-Type Activities	<u>932,603</u>	<u>287,173</u>	<u>600,804</u>	<u>-</u>	<u>(44,626)</u>	<u>(44,626)</u>
	\$ <u>22,521,783</u>	<u>1,517,540</u>	<u>1,947,617</u>	<u>(19,012,000)</u>	<u>(44,626)</u>	<u>(19,056,626)</u>
General Revenues:						
Property taxes, levied for general purposes				6,757,591	-	6,757,591
Property taxes, levied for debt services				1,338,552	-	1,338,552
Property taxes, levied for classroom maintenance				119,811	-	119,811
Payments in lieu of taxes				1,163,712	-	1,163,712
Grants and entitlements not restricted to specific programs				9,951,295	-	9,951,295
Grants provided for permanent improvement projects				12,146,668	-	12,146,668
Investment earnings				88,122	-	88,122
Miscellaneous				547,071	-	547,071
Total general revenues				<u>32,112,822</u>	<u>-</u>	<u>32,112,822</u>
Change in net position				13,100,822	(44,626)	13,056,196
Net position beginning of year				<u>2,473,774</u>	<u>106,997</u>	<u>2,580,771</u>
Net position end of year				\$ <u>15,574,596</u>	<u>62,371</u>	<u>15,636,967</u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Balance Sheet
 Governmental Funds
 June 30, 2014

	General	Debt Service	Classroom Facilities Project	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments	\$ 79,225	1,885,659	-	241,852	2,206,736
Restricted cash and investments	78,607	-	15,067,198	-	15,145,805
Receivables:					
Taxes	6,752,851	1,645,567	-	101,536	8,499,954
Accounts	2,039	-	-	-	2,039
Accrued interest	-	-	3,593	-	3,593
Intergovernmental	722,000	166,000	10,088,667	374,543	11,351,210
Interfund receivable	-	452,196	-	-	452,196
Total assets	<u>7,634,722</u>	<u>4,149,422</u>	<u>25,159,458</u>	<u>717,931</u>	<u>37,661,533</u>
Liabilities:					
Accounts payable	113,352	-	-	9,835	123,187
Accrued wages and benefits	1,340,018	-	-	62,572	1,402,590
Intergovernmental payable	240,944	-	-	17,294	258,238
Interfund payable	27,351	-	-	424,845	452,196
Compensated absences payable	43,443	-	-	-	43,443
Total liabilities	<u>1,765,108</u>	<u>-</u>	<u>-</u>	<u>514,546</u>	<u>2,279,654</u>
Deferred Inflows of Resources:					
Property taxes	5,366,359	1,360,700	-	80,500	6,807,559
Payments in lieu of taxes	722,000	166,000	-	12,000	900,000
Unavailable revenue	119,692	20,567	10,088,667	364,079	10,593,005
Total deferred inflows of resources	<u>6,208,051</u>	<u>1,547,267</u>	<u>10,088,667</u>	<u>456,579</u>	<u>18,300,564</u>
Fund Balances:					
Restricted	78,607	2,602,155	15,070,791	235,116	17,986,669
Committed	49,437	-	-	-	49,437
Assigned	8,382	-	-	14,346	22,728
Unassigned (Deficit)	(474,863)	-	-	(502,656)	(977,519)
Total fund balances	<u>(338,437)</u>	<u>2,602,155</u>	<u>15,070,791</u>	<u>(253,194)</u>	<u>17,081,315</u>
Total liabilities, deferred inflows of resources and fund balance	\$ <u>7,634,722</u>	<u>4,149,422</u>	<u>25,159,458</u>	<u>717,931</u>	<u>37,661,533</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, 2014

Total Governmental Fund Balances		\$ 17,081,315
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.		8,053,658
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.		10,593,005
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	18,867,214	
Accreted interest on bonds	14,216	
Compensated absences	984,660	
Capital leases	207,033	
Accrued interest payable	<u>80,259</u>	
Total		<u>(20,153,382)</u>
Net Position of Governmental Activities		\$ <u>15,574,596</u>

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2014

	General	Debt Service	Classroom Facilities Project	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 6,726,987	1,335,057	-	119,639	8,181,683
Tuition and fees	1,151,403	-	-	-	1,151,403
Investment earnings	461	-	93,743	-	94,204
Payments in lieu of taxes	951,598	212,114	-	-	1,163,712
Intergovernmental	9,751,464	179,061	2,058,001	1,604,489	13,593,015
Other local revenues	536,917	-	-	89,118	626,035
Total revenues	<u>19,118,830</u>	<u>1,726,232</u>	<u>2,151,744</u>	<u>1,813,246</u>	<u>24,810,052</u>
Expenditures:					
Current:					
Instruction:					
Regular	8,705,985	-	-	417,467	9,123,452
Special education	3,994,472	-	-	1,024,687	5,019,159
Other instruction	14,591	-	-	-	14,591
Support services:					
Pupil	440,641	-	-	-	440,641
Instructional staff	173,281	-	-	8,057	181,338
Board of Education	227,215	-	-	-	227,215
Administration	1,253,294	-	-	67,213	1,320,507
Fiscal	579,103	17,941	-	7,101	604,145
Operation and maintenance of plant	1,262,804	-	-	-	1,262,804
Pupil transportation	1,437,038	-	-	-	1,437,038
Central	109,408	-	-	-	109,408
Non-instructional services:					
Extracurricular activities	222,295	-	-	98,893	321,188
Capital outlay	-	-	645,608	12,691	658,299
Debt Service:					
Principal	84,967	625,000	-	-	709,967
Interest and fiscal charges	41,878	740,599	-	-	782,477
Total expenditures	<u>18,546,972</u>	<u>1,383,540</u>	<u>645,608</u>	<u>1,636,109</u>	<u>22,212,229</u>
Excess of revenues over (under) expenditures	<u>571,858</u>	<u>342,692</u>	<u>1,506,136</u>	<u>177,137</u>	<u>2,597,823</u>
Other financing sources (uses):					
Transfers in	-	-	-	30,000	30,000
Transfers out	(30,000)	-	-	-	(30,000)
Total other financing sources (uses):	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
Net change in fund balance	541,858	342,692	1,506,136	207,137	2,597,823
Fund balance (deficit), beginning of year	(880,295)	2,259,463	13,564,655	(460,331)	14,483,492
Fund balance (deficit), end of year	\$ <u>(338,437)</u>	<u>2,602,155</u>	<u>15,070,791</u>	<u>(253,194)</u>	<u>17,081,315</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, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 2,597,823

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	655,808
Depreciation expense	(672,913)

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.

661,473

Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

54,967

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

(18,556)

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.

(45,039)

Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the funds.

9,879,950

Accretion of capital appreciation bonds do not require use of current financial resources are not reported in the governmental funds

(12,691)

Change in Net Position of Governmental Activities \$ 13,100,822

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Net Position

Proprietary Funds

June 30, 2014

	<u>Nonmajor Enterprise Funds</u>
Assets:	
Current assets:	
Equity in pooled cash and investments	\$ 93,340
Receivables:	
Accounts	746
Supplies inventory	<u>23,083</u>
Total current assets	<u>117,169</u>
Noncurrent assets:	
Capital assets, net	<u>11,057</u>
Total assets	<u>128,226</u>
Liabilities:	
Current liabilities:	
Accounts payable	1,087
Accrued wages	45,032
Intergovernmental payable	12,312
Compensated absences	<u>2,594</u>
Total current liabilities	<u>61,025</u>
Noncurrent liabilities:	
Compensated absences	<u>4,830</u>
Total liabilities	<u>65,855</u>
Net Position:	
Investment in capital assets	11,057
Unrestricted	<u>51,314</u>
Total net position	<u>\$ 62,371</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, 2014

	Nonmajor Enterprise Funds
Operating revenues:	
Charges for services	\$ <u>287,173</u>
Total operating revenues	<u>287,173</u>
Operating expenses:	
Salaries and wages	230,494
Fringe benefits	162,709
Contractual services	20,178
Materials and supplies	517,751
Depreciation	<u>1,471</u>
Total operating expenses	<u>932,603</u>
Operating loss	(645,430)
Nonoperating revenues:	
Federal and state grants	<u>600,804</u>
Total nonoperating revenues	<u>600,804</u>
Change in net position	(44,626)
Net position, beginning of year	<u>106,997</u>
Net position, end of year	\$ <u><u>62,371</u></u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

	Nonmajor Enterprise Funds
Cash flows from operating activities:	
Cash received from customers	\$ 286,697
Cash payments for personal services	(404,505)
Cash payments for contract services	(20,178)
Cash payments for supplies and materials	(415,721)
Cash payments for other expenses	(21,331)
Net cash used for operating activities	<u>(575,038)</u>
Cash flows from noncapital financing activities:	
Cash received from federal and state grants	<u>507,800</u>
Net cash provided by noncapital financing activities	<u>507,800</u>
Change in cash and cash equivalents	(67,238)
Cash and cash equivalents at beginning of year	<u>160,578</u>
Cash and cash equivalents at end of year	\$ <u><u>93,340</u></u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	(645,430)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	1,471
Donated commodities used	93,004
Changes in assets and liabilities:	
Accounts receivable	(476)
Accounts payable	(6,404)
Supplies inventory	(5,901)
Accrued wages and benefits	(6,641)
Intergovernmental payable	(4,266)
Compensated absences payable	<u>(395)</u>
Net cash used for operating activities	\$ <u><u>(575,038)</u></u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Net Position

Fiduciary Funds

June 30, 2014

	Private Purpose Trust	Agency Funds
ASSETS		
Equity in pooled cash and investments	\$ 8,529	54,154
Total assets	<u>8,529</u>	<u>54,154</u>
LIABILITIES		
Due to student groups	-	54,154
Total liabilities	<u>-</u>	<u>54,154</u>
NET POSITION		
Held in trust	\$ <u>8,529</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, 2014

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

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

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 2,500 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, 2014

B. Basis of Presentation

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

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

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

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

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

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

BATAVIA LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2014

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

C. Fund Accounting

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

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

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

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

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

Proprietary funds are used to account for the School District's ongoing activities that are similar to those found in the private sector where the intent of the governing body is that the cost of providing goods and services to the general public be financed or recovered primarily through user charges. The School District has no major proprietary funds.

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, 2014

D. Basis of Accounting

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

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

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

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

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

BATAVIA LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2014

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 and unavailable revenue. Receivables for property taxes and payment in lieu of taxes represent amounts that are measurable as of June 30, 2014, but are intended to finance fiscal year 2015 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.

E. Budgetary Process

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

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

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

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

BATAVIA LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2014

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

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

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

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

F. Cash and Investments

To improve cash management, all cash received by the School District is pooled in central bank accounts. Monies for all funds are maintained in these accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the financial statements. During fiscal year 2014, the School District's investments were limited to U.S. money markets and certificates of deposit.

The Governmental Accounting Standards Board Statement No. 31 (GASB 31), "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", requires that investments be recorded at their fair value and that changes in the fair value be reported in the operating statement. At June 30, 2014, the fair value of investments approximates cost.

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

BATAVIA LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2014

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.

H. Capital Assets

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

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

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

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

I. Interfund Balances

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

J. Compensated Absences

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

BATAVIA LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2014

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

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

K. Accrued Liabilities and Long-Term Obligations

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

L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. Restricted assets in the classroom facilities project fund represents bond proceeds 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.

BATAVIA LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2014

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

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

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

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

N. Net Position

Net position represents the difference between assets 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 food services, scholarships and education foundation.

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

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.

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

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

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

BATAVIA LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2014

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":

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 \$10,678,835 was either covered by FDIC or collateralized in the manner described above.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

Investments

The School District's investments at June 30, 2014 are summarized as follows:

	Fair Value	Investment Maturity			
		0 to 6 mos	7 to 12 mos	13 to 18 mos	19 to 24 mos
Certificates of deposit	\$ 3,500,217	-	1,499,992	250,250	1,749,975
Money markets	3,409,079	3,409,079	-	-	-
	\$ <u>6,909,296</u>	<u>3,409,079</u>	<u>1,499,992</u>	<u>250,250</u>	<u>1,749,975</u>

Credit Risk. It is the School District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings by nationally recognized statistical rating organizations. The School District's investments were limited to negotiable certificates of deposit and money market funds.

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

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

3. PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represent collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien on December 31, 2012, were levied after April 1, 2013 and are collected in calendar year 2014 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.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

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, 2014 are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes, which became measurable as of June 30, 2014. 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, 2014 was \$1,266,800 in the General Fund, \$264,300 in the Debt Service Fund and \$19,500 in the Other Governmental Funds.

The assessed values upon which fiscal year 2014 taxes were collected are:

	<u>2013 Second- Half Collections</u>		<u>2014 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 190,474,560	94.94%	191,978,450	94.37%
Public Utility	<u>10,155,130</u>	5.06%	<u>11,456,230</u>	5.63%
Total Assessed Value	\$ <u>200,629,690</u>	100.00%	<u>203,434,680</u>	100.00%
Tax rate per \$1,000 of assessed valuation		\$59.11		\$59.61

4. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2014 consisted of the following interfund receivables/payables and transfers in/out:

	<u>Interfund</u>		<u>Transfers</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General Fund	\$ -	27,351	-	30,000
Debt Service Fund	452,196	-	-	-
Other Governmental Funds	<u>-</u>	<u>424,845</u>	<u>30,000</u>	<u>-</u>
	\$ <u>452,196</u>	<u>452,196</u>	<u>30,000</u>	<u>30,000</u>

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

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

All transfers made in fiscal year 2014 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance 7/1/13	Additions	Disposals	Balance 6/30/14
<i>Governmental Activities</i>				
Nondepreciable:				
Land	\$ 1,230,447	-	-	1,230,447
Construction in progress	-	655,808	-	655,808
Subtotal	<u>1,230,447</u>	<u>655,808</u>	<u>-</u>	<u>1,886,255</u>
Depreciable:				
Land improvements	2,936,525	-	-	2,936,525
Buildings and improvements	14,089,656	-	-	14,089,656
Equipment and furniture	1,380,776	-	-	1,380,776
Vehicles	3,402,223	-	-	3,402,223
Subtotal	<u>21,809,180</u>	<u>-</u>	<u>-</u>	<u>21,809,180</u>
Totals at historical cost	<u>23,039,627</u>	<u>655,808</u>	<u>-</u>	<u>23,695,435</u>
Less accumulated depreciation:				
Land improvements	2,494,739	123,369	-	2,618,108
Buildings and improvements	8,435,408	368,242	-	8,803,650
Equipment and furniture	1,046,772	84,812	-	1,131,584
Vehicles	2,991,945	96,490	-	3,088,435
Total accumulated depreciation	<u>14,968,864</u>	<u>672,913</u>	<u>-</u>	<u>15,641,777</u>
Capital assets, net	<u>\$ 8,070,763</u>	<u>(17,105)</u>	<u>-</u>	<u>8,053,658</u>

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

Depreciation expense was charged to functions as follows:

Instruction:		
Regular	\$	446,438
Support services:		
Instructional staff		1,340
Operation and maintenance of plant		47,235
Pupil transportation		96,490
Extracurricular activities		<u>81,410</u>
 Total depreciation expense	\$	<u><u>672,913</u></u>

	Balance 7/1/13	Additions	Disposals	Balance 6/30/14
<i>Business-type Activities:</i>				
Furniture and equipment	\$ 179,764	-	-	179,764
Less accumulated depreciation	<u>167,236</u>	<u>1,471</u>	<u>-</u>	<u>168,707</u>
 Capital assets, net	<u>\$ 12,528</u>	<u>(1,471)</u>	<u>-</u>	<u>11,057</u>

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

6. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, 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 2014, 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".

BATAVIA LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2014

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 2014, 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

School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts by, the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For the fiscal year ended June 30, 2014, the allocation to pension and death benefits was 13.10%. The remaining 0.90% of the 14% employer contribution rate was allocated to the Health Care and Medicare B Funds. The School District's approximate required contributions to SERS for the fiscal years ended June 30, 2014, 2013, and 2012 were \$307,000, \$314,000, and \$326,000, respectively. Approximately 87% has been contributed for fiscal year 2014 and 100% for the fiscal years 2013 and 2012, respectively. The current portion of the unpaid contribution for fiscal year 2014 is recorded as a liability within the financial statements.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a statewide cost-sharing, multiple-employer public employee retirement system for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by contacting STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC

BATAVIA LOCAL SCHOOL DISTRICT
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Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Member contributions under the Combined Plan are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contribution with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Plan members are required to contribution 11% of their annual covered salary and the School District was required to contribute 14%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11% for members and 14% for employers. The School District's approximate required contributions to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were \$1,078,000, \$1,077,000, and \$1,111,000, respectively. Approximately 82% has been contributed for fiscal year 2014 and 100% for the fiscal years 2013 and 2012, respectively. The unpaid contribution for fiscal year 2014 is recorded as a liability in the respective funds.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

Social Security System

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

8. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the STRS Ohio, and to retired non-certified employees and their dependents through the SERS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by state statute.

State Teachers Retirement System

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. Pursuant to 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for years ended June 30, 2014, 2013 and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law. The School District's approximate required contributions for post-employment health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$77,000, \$77,000, and \$79,000, respectively. Approximately 82% has been contributed for fiscal year 2014 and 100% for the fiscal years 2013 and 2012, respectively.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

School Employees Retirement System

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

Medicare Part B Plan - The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B fund. For fiscal year 2014, the actuarially required allocation was 0.76%. The School District's approximate contributions for the years ended June 30, 2014, 2013, and 2012, was \$17,000, \$17,000, and \$17,000, respectively. Approximately 87% has been contributed for fiscal year 2014 and 100% for the fiscal years 2013 and 2012, respectively.

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

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2014, the health care allocation was 0.14%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the minimum compensation level was established at \$20,250. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

BATAVIA LOCAL SCHOOL DISTRICT**Notes to the Basic Financial Statements****Year Ended June 30, 2014**

The School District approximate contributions to health care for the years ended June 30, 2014, 2013, and 2012 were \$3,000, \$4,000, and \$13,000, respectively. Approximately 87% has been contributed for fiscal year 2014 and 100% for the fiscal years 2013 and 2012, respectively.

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

9. EMPLOYEE BENEFITS**Compensated Absences**

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

10. LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Principal Outstanding 7/1/13	Additions	Reductions	Principal Outstanding 6/30/14	Amounts Due in One Year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 19,347,448	-	(655,000)	18,692,448	830,000
Accreted interest on bonds	1,525	12,691	-	14,216	-
Unamortized premiums	181,239	-	(6,473)	174,766	-
Capital leases	262,000	-	(54,967)	207,033	58,870
Compensated absences	1,042,594	157,613	(172,104)	1,028,103	111,355
Total	<u>20,834,806</u>	<u>170,304</u>	<u>(888,544)</u>	<u>20,116,566</u>	<u>1,000,225</u>
<i>Business-type Activities:</i>					
Compensated absences	\$ <u>7,819</u>	<u>4,457</u>	<u>(4,852)</u>	<u>7,424</u>	<u>2,594</u>

BATAVIA LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

Year Ended June 30, 2014

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

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

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

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

Capital Leases – During the 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.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2014 are as follows:

Fiscal Year Ending June 30,		Principal	Interest	Total
2015	\$	830,000	678,557	1,508,557
2016		855,000	647,332	1,502,332
2017		885,000	614,797	1,499,797
2018		925,000	580,669	1,505,669
2019		955,000	544,850	1,499,850
2020-2024		4,542,448	2,251,004	6,793,452
2025-2029		2,370,000	1,545,311	3,915,311
2030-2034		2,665,000	1,147,907	3,812,907
2035-2039		3,205,000	599,734	3,804,734
2040-2041		1,460,000	57,962	1,517,962
Total	\$	<u>18,692,448</u>	<u>8,668,123</u>	<u>27,360,571</u>

The following is a schedule of future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2014:

Fiscal Year Ending June 30,		Capital Leases
2015	\$	77,110
2016		77,110
2017		77,110
2018		<u>19,278</u>
Total		250,608
Less amount representing interest		<u>(43,575)</u>
Present value of minimum lease payments	\$	<u>207,033</u>

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

11. FUND BALANCES

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

<u>Governmental Fund Balances</u>	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Restricted for</i>					
Set-asides	\$ 78,607	-	-	-	78,607
Classroom Facilities	-	-	15,070,791	194,051	15,264,842
Scholarships	-	-	-	27,194	27,194
Debt Service Payments	-	2,602,155	-	-	2,602,155
<i>Total Restricted</i>	<u>78,607</u>	<u>2,602,155</u>	<u>15,070,791</u>	<u>235,116</u>	<u>17,986,669</u>
<i>Committed to</i>					
Employee Benefits	<u>49,437</u>	-	-	-	<u>49,437</u>
<i>Assigned to</i>					
Capital Improvements	-	-	-	14,346	14,346
Public School Support	<u>8,382</u>	-	-	-	<u>8,382</u>
<i>Total Assigned</i>	<u>8,382</u>	-	-	<u>14,346</u>	<u>22,728</u>
<i>Unassigned (Deficit)</i>	<u>(474,863)</u>	-	-	<u>(502,656)</u>	<u>(977,519)</u>
<i>Total</i>	<u>\$ (338,437)</u>	<u>2,602,155</u>	<u>15,070,791</u>	<u>(253,194)</u>	<u>17,081,315</u>

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

12. JOINTLY GOVERNED ORGANIZATIONS

The Hamilton Clermont Cooperative Association

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

The Great Oaks Institute of Technology and Career Development

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

13. INSURANCE PURCHASING POOLS

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

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

The Clermont County Health Trust

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

14. CONTINGENCIES

Federal and State Funding

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effects of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

Litigation

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

15. REQUIRED SET-ASIDES

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

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.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2014

		<u>Capital</u> <u>Improvements</u>	<u>Budget</u> <u>Stabilization</u>
Set-aside reserve balance as of June 30, 2013	\$	-	78,607
Current year set-aside requirement		360,243	-
Current year qualifying expenditures		(125,551)	-
Current year offsets		(112,939)	-
Unused bond proceeds for classroom facilities		<u>(121,753)</u>	<u>-</u>
Total		<u>-</u>	<u>78,607</u>
Set-aside reserve balance as of June 30, 2014	\$	<u>-</u>	<u>78,607</u>

16. ACCOUNTABILITY AND COMPLIANCE

Accountability

At June 30, 2014, the following funds had a deficit fund balance:

General Fund	\$338,437
Other Governmental Funds:	
Athletic Fund	\$3,849
Race to the Top Fund	\$190,011
Special Education Fund	\$26,680
Title I Fund	\$272,496
Miscellaneous Federal Grants Fund	\$9,620

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 a deficit cash fund balance in noncompliance with Ohio Revised Code Section 5705.10 in the District-Managed Activity, Race to the Top, IDEA, Part-B Grants, Title I Disadvantaged Children, and Miscellaneous Federal Grant funds.

17. FUTURE CHANGE IN ACCOUNTING PRINCIPLES

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, has been issued by the GASB but is not required to be implemented by the School District until fiscal year 2015. Management has not yet determined the impact of this new standard will have on the School District’s financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

BATAVIA LOCAL SCHOOL DISTRICT

Schedule of Revenues, Expenditures and Changes in Fund

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

General Fund

Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	6,309,253	6,441,188	6,441,187	(1)
Payments in lieu of taxes	840,000	945,396	951,598	6,202
Tuition and fees	1,335,146	1,100,000	1,151,847	51,847
Interest	-	-	461	461
Intergovernmental	9,429,445	9,900,698	9,766,693	(134,005)
Other local revenues	300,000	328,393	466,812	138,419
Total revenues	<u>18,213,844</u>	<u>18,715,675</u>	<u>18,778,598</u>	<u>62,923</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,510,736	8,610,736	8,615,189	(4,453)
Special education	3,784,088	4,084,088	3,995,136	88,952
Other instruction	15,643	15,643	15,555	88
Support services:				
Pupil	393,559	453,559	442,058	11,501
Instructional staff	162,597	162,597	178,047	(15,450)
Board of Education	227,082	227,082	233,811	(6,729)
Administration	1,210,783	1,260,783	1,237,236	23,547
Fiscal	506,239	590,551	581,823	8,728
Operation and maintenance of plant	1,404,945	1,404,945	1,304,231	100,714
Pupil transportation	1,554,604	1,554,604	1,512,377	42,227
Central	100,000	100,000	109,401	(9,401)
Non-instructional services:				
Extracurricular activities	192,700	222,462	225,399	(2,937)
Debt service	45,688	45,668	49,735	(4,067)
Total expenditures	<u>18,108,664</u>	<u>18,732,718</u>	<u>18,499,998</u>	<u>232,720</u>
Excess of revenues over expenditures	105,180	(17,043)	278,600	295,643
Other financing sources (uses):				
Transfers out	-	-	(94,831)	(94,831)
Other financing sources	-	-	58,432	58,432
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>(36,399)</u>	<u>(36,399)</u>
Net change in fund balance	105,180	(17,043)	242,201	259,244
Fund balance (deficit), beginning of year	(620,457)	(620,457)	(620,457)	
Prior year encumbrances appropriated	282,737	282,737	282,737	
Fund balance (deficit), end of year	<u>(232,540)</u>	<u>(354,763)</u>	<u>(95,519)</u>	

See accompanying notes to required supplementary information.

BATAVIA LOCAL SCHOOL DISTRICT

Notes to Required Supplementary Information

Year Ended June 30, 2014

Note A Budgetary Basis of Accounting

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

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

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

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

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

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

	<u>General</u>
Net change in fund balance - GAAP Basis	\$ 541,858
Increase / (decrease):	
Due to inclusion of the Public School Support Fund	6,978
Due to inclusion of the Employee Benefits Fund	898
Due to revenues	(276,791)
Due to expenditures	102,431
Due to other sources (uses)	13,601
Due to encumbrances	<u>(146,774)</u>
Net change in fund balance - Budget Basis	\$ <u>242,201</u>

SUPPLEMENTARY DATA

**BATAVIA LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Child Nutrition Grant Cluster:				
(D) (E) School Breakfast Program	10.553	2014	\$ 128,774	\$ 128,774
(D) (E) National School Lunch Program	10.555	2014	368,365	368,365
(C) (D) National School Lunch Program - Food Donation	10.555	2014	93,004	93,004
Total National School Lunch Program			<u>461,369</u>	<u>461,369</u>
Total U.S. Department of Agriculture and Child Nutrition Grant Cluster			<u>590,143</u>	<u>590,143</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grants to Local Educational Agencies	84.010	2013	241,352	-
Title I Grants to Local Educational Agencies	84.010	2014	489,050	645,046
Total Title I Grants to Local Educational Agencies			<u>730,402</u>	<u>645,046</u>
Special Education_Grants to States	84.027	2013	35,662	-
Special Education_Grants to States	84.027	2014	347,338	374,017
Total Special Education_Grants to States			<u>383,000</u>	<u>374,017</u>
English Language Acquisition Grants	84.365	2013	-	1,140
English Language Acquisition Grants	84.365	2014	1,442	1,442
Total English Language Acquisition Grants			<u>1,442</u>	<u>2,582</u>
Improving Teacher Quality State Grants	84.367	2013	60,829	5,878
Improving Teacher Quality State Grants	84.367	2014	58,787	58,369
Total Improving Teacher Quality State Grants			<u>119,616</u>	<u>64,247</u>
ARRA - Teacher Incentive Fund, Recovery Act	84.385A	2014	276,585	268,972
ARRA - Race to the Top, Recovery Act	84.395A	2013	72,994	-
ARRA - Race to the Top, Recovery Act	84.395A	2014	5,510	75,164
ARRA - Race to the Top, Recovery Act			<u>78,504</u>	<u>75,164</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE GREAT OAKS INSTITUTE OF TECHNOLOGY & CAREER DEVELOPMENT				
Career and Technical Education_Basic Grants to States	84.048	2014	4,000	2,995
Total U.S. Department of Education			<u>1,593,549</u>	<u>1,433,023</u>
Total Federal Financial Assistance			<u>\$ 2,183,692</u>	<u>\$ 2,023,166</u>

NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS:

- (A) OAKS did not assign pass-through numbers for fiscal year 2014.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at the entitlement value.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.



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

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Batavia Local School District, Clermont County, as of and for the fiscal year ended June 30, 2014, 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 April 24, 2015.

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2014-001.

Batavia Local School District's Response to Finding

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

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.
April 24, 2015



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

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

To the Board of Education:

Report on Compliance for each Major Federal Program

We have audited the Batavia Local School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Batavia Local School District's major federal programs for the fiscal year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings and responses identifies the Batavia Local School District's major federal programs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to opine on the Batavia Local School District's compliance for each of the Batavia Local School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Batavia Local School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Board of Education
Batavia Local School District

Opinion on each Major Federal Program

In our opinion, the Batavia Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of findings and responses as item 2014-002. This finding did not require us to modify our compliance opinion on each major federal program.

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

Report on Internal Control Over Compliance

The Batavia Local School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Batavia Local School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Batavia Local School District's internal control over compliance.

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

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.
April 24, 2015

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

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>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	Yes
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Title I Grants to Local Educational Agencies, CFDA #84.010, Special Education Grants to States, CFDA #84.027
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2014-001

Material Noncompliance

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.

At June 30, 2014, the District had the following negative fund balances:

<u>Nonmajor Funds:</u>	<u>Negative Fund Balance June 30, 2014</u>
District Managed Activity	\$ 3,849
Race to the Top	185,076
IDEA Part-B Grants	26,680
Title I Disadvantaged Children	40,393
Miscellaneous Federal Grant Fund	9,620

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

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

Client Response: The District in the future will advance monies from the General fund if necessary to cover temporary fund deficits.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS	
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Finding Number	2014-002
CFDA Title and Number	N/A
Federal Award Number/Year	2014
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

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

**SCHEDULE OF FINDINGS AND RESPONSES
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS - (Continued)

Non-compliance Finding

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

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

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

Client Response: District management will strive to be more timely in the future.

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <u>Explain:</u>
2013-001	<u>Material Noncompliance/Material Weakness</u> - Ohio Revised Code Section 5705.10 states in part that money that is paid into a fund must be used only for the purpose for which a fund has been established.	No	Repeated as finding 2014-001
2013-002	<u>Material Noncompliance</u> - Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.	Yes	N/A
2013-003	<u>Material Weakness</u> - When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records, and performing analytical procedures to determine the reasonableness of financial data.	Yes	Correction action taken in fiscal year 2015.
2013-004	<u>Material Noncompliance/Material Weakness</u> - 34 CFR 80.21 (OMB Circular A-102) states, in part, that methods and procedures shall minimize the time elapsing between the transfer of funds and disbursement by grantee or subgrantee, in accordance with Treasury regulations codified at 31 CFR part 205.	Yes	N/A

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

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2014**

2013-005	<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.	No	Repeated as finding 2014-002
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Dave Yost • Auditor of State

BATAVIA LOCAL SCHOOL DISTRICT

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 7, 2015**