



OHIO AUDITOR OF STATE
KEITH FABER



**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

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INDEPENDENT AUDITOR'S REPORT

Botkins Local School District
Shelby County
404 E. State Street
Botkins, Ohio 45306

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Botkins Local School District, Shelby County, Ohio (the School District), as of and for the fiscal years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for 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 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 School District's internal control. Accordingly, we express no such 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Botkins Local School District, Shelby County, Ohio, as of June 30, 2019 and 2018, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the fiscal years then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2020 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 School District's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

January 22, 2020

Botkins Local School District
Statement of Net Position - Cash Basis
June 30, 2019

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$7,513,687</u>
<i>Total Assets</i>	<u><u>\$7,513,687</u></u>
Net Position	
Restricted for:	
Capital Outlay	\$488,589
Debt Service	993,812
Other Purposes	349,926
Unrestricted	<u>5,681,360</u>
<i>Total Net Position</i>	<u><u>\$7,513,687</u></u>

See accompanying notes to the basic financial statements.

Botkins Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2019

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities				
Instruction:				
Regular	3,133,354	\$1,701,357	\$13,639	(\$1,418,358)
Special	849,545	-	219,141	(630,404)
Vocational	196,915	-	21,575	(175,340)
Student Intervention Services	61,604	-	2,537	(59,067)
Other	56,805	-	-	(56,805)
Support Services:				
Pupil	339,786	24,091	48,374	(267,321)
Instructional Staff	370,874	-	-	(370,874)
Board of Education	21,679	-	-	(21,679)
Administration	585,324	-	-	(585,324)
Fiscal	229,480	-	-	(229,480)
Operation and Maintenance of Plant	638,538	200	13,526	(624,812)
Pupil Transportation	266,360	10,031	620	(255,709)
Central	3,534	-	-	(3,534)
Operation of Non-Instructional Services	245,118	168,304	62,839	(13,975)
Extracurricular Activities	425,403	124,994	15,345	(285,064)
Capital Outlay	37,654	-	-	(37,654)
Principal Retirement	167,247	-	-	(167,247)
Interest and Fiscal Charges	248,331	-	-	(248,331)
<i>Total Governmental Activities</i>	<u>\$7,877,551</u>	<u>\$2,028,977</u>	<u>\$397,596</u>	<u>(5,450,978)</u>
General Receipts				
Property Taxes Levied for:				
General Purposes				1,184,029
Capital Outlay				91,296
Debt Service				455,642
Other Purposes				22,824
Income Taxes Levied for General Purposes				650,141
Grants and Entitlements not Restricted to Specific Programs				2,865,579
Sale of Fixed Assets				4,927
Payments in Lieu of Taxes				10,665
Gifts and Donations not Restricted to Specific Programs				2,000
Interest				72,155
Miscellaneous				15,650
<i>Total General Receipts</i>				<u>5,374,908</u>
Change in Net Position				(76,070)
<i>Net Position Beginning of Year</i>				<u>7,589,757</u>
<i>Net Position End of Year</i>				<u><u>\$7,513,687</u></u>

See accompanying notes to the basic financial statements.

Botkins Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2019

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$5,681,360	\$993,812	\$838,515	\$7,513,687
<i>Total Assets</i>	<u>\$5,681,360</u>	<u>\$993,812</u>	<u>\$838,515</u>	<u>\$7,513,687</u>
Fund Balances				
Restricted	\$0	\$993,812	\$838,515	\$1,832,327
Committed	161,807	-	-	161,807
Assigned	2,868,027	-	-	2,868,027
Unassigned	2,651,526	-	-	2,651,526
<i>Total Fund Balances</i>	<u>\$5,681,360</u>	<u>\$993,812</u>	<u>\$838,515</u>	<u>\$7,513,687</u>

See accompanying notes to the basic financial statements.

Botkins Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$1,184,029	\$455,642	\$114,120	\$1,753,791
Income Taxes	650,141	-	-	650,141
Intergovernmental	2,945,789	59,009	237,009	3,241,807
Interest	72,155	-	12	72,167
Tuition and Fees	1,701,357	-	-	1,701,357
Rentals	956	-	-	956
Extracurricular Activities	24,091	-	124,585	148,676
Contributions and Donations	5,761	-	17,595	23,356
Charges for Services	-	-	167,099	167,099
Payments in Lieu of Taxes	10,665	-	-	10,665
Miscellaneous	22,925	-	1,614	24,539
<i>Total Receipts</i>	<u>6,617,869</u>	<u>514,651</u>	<u>662,034</u>	<u>7,794,554</u>
Disbursements				
Current:				
Instruction:				
Regular	3,101,046	-	32,308	3,133,354
Special	790,243	-	59,302	849,545
Vocational	193,279	-	3,636	196,915
Student Intervention Services	59,067	-	2,537	61,604
Other	56,805	-	-	56,805
Support Services:				
Pupil	295,173	-	44,613	339,786
Instructional Staff	342,249	-	28,625	370,874
Board of Education	21,679	-	-	21,679
Administration	585,324	-	-	585,324
Fiscal	217,054	9,947	2,479	229,480
Operation and Maintenance of Plant	601,227	-	37,311	638,538
Pupil Transportation	249,323	-	17,037	266,360
Central	3,534	-	-	3,534
Operation of Non-Instructional Services	245	-	244,873	245,118
Extracurricular Activities	274,226	-	151,177	425,403
Capital Outlay	10,308	-	27,346	37,654
Debt Service:				
Principal Retirement	-	140,000	27,247	167,247
Interest and Fiscal Charges	-	248,331	-	248,331
<i>Total Disbursements</i>	<u>6,800,782</u>	<u>398,278</u>	<u>678,491</u>	<u>7,877,551</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(182,913)</u>	<u>116,373</u>	<u>(16,457)</u>	<u>(82,997)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	3,700	-	3,227	6,927
Transfers In	25,000	-	141,517	166,517
Transfers Out	(25,000)	(141,517)	-	(166,517)
<i>Total Other Financing Sources (Uses)</i>	<u>3,700</u>	<u>(141,517)</u>	<u>144,744</u>	<u>6,927</u>
<i>Net Change in Fund Balances</i>	(179,213)	(25,144)	128,287	(76,070)
<i>Fund Balances Beginning of Year</i>	<u>5,860,573</u>	<u>1,018,956</u>	<u>710,228</u>	<u>7,589,757</u>
<i>Fund Balances End of Year</i>	<u>\$5,681,360</u>	<u>\$993,812</u>	<u>\$838,515</u>	<u>\$7,513,687</u>

See accompanying notes to the basic financial statements.

Botkins Local School District
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property Taxes	\$1,053,700	\$1,053,700	\$1,184,029	\$130,329
Income Taxes	690,000	690,000	650,141	(39,859)
Intergovernmental	3,091,900	2,941,900	2,945,789	3,889
Interest	40,000	40,000	72,155	32,155
Tuition and Fees	1,835,000	1,818,000	1,701,357	(116,643)
Rentals	900	900	956	56
Contributions and Donations	500	500	2,000	1,500
Miscellaneous	16,000	16,000	18,097	2,097
<i>Total Receipts</i>	<u>6,728,000</u>	<u>6,561,000</u>	<u>6,574,524</u>	<u>13,524</u>
Disbursements				
Current:				
Instruction:				
Regular	3,611,721	3,610,721	3,104,608	506,113
Special	1,016,814	1,016,814	790,243	226,571
Vocational	259,689	260,689	198,400	62,289
Student Intervention Services	78,400	78,400	59,067	19,333
Other	135,000	135,000	56,805	78,195
Support Services:				
Pupil	323,015	323,015	267,369	55,646
Instructional Staff	515,877	515,877	344,249	171,628
Board of Education	29,000	29,000	21,679	7,321
Administration	1,600,641	1,542,641	586,547	956,094
Fiscal	269,800	269,800	217,054	52,746
Operation and Maintenance of Plant	865,056	865,056	602,298	262,758
Pupil Transportation	258,950	298,950	249,611	49,339
Central	5,060	6,060	3,534	2,526
Operation of Non-Instructional Services	1,500	1,500	245	1,255
Extracurricular Activities	360,887	360,887	288,163	72,724
Capital Outlay	90,783	90,783	10,308	80,475
<i>Total Disbursements</i>	<u>9,422,193</u>	<u>9,405,193</u>	<u>6,800,180</u>	<u>2,605,013</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,694,193)</u>	<u>(2,844,193)</u>	<u>(225,656)</u>	<u>2,618,537</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	-	-	3,700	3,700
Transfers In	20,000	20,000	20,000	-
Refund of Prior Year Expenditures	20,000	20,000	15,493	(4,507)
Transfers Out	(100,000)	(100,000)	(45,000)	55,000
Advances out	(10,000)	(10,000)	-	10,000
<i>Total Other Financing Sources (Uses)</i>	<u>(70,000)</u>	<u>(70,000)</u>	<u>(5,807)</u>	<u>64,193</u>
<i>Net Change in Fund Balance</i>	(2,764,193)	(2,914,193)	(231,463)	2,682,730
<i>Fund Balance Beginning of Year</i>	5,622,797	5,622,797	5,622,797	-
Prior Year Encumbrances Appropriated	73,360	73,360	73,360	-
<i>Fund Balance End of Year</i>	<u>\$2,931,964</u>	<u>\$2,781,964</u>	<u>\$5,464,694</u>	<u>\$2,682,730</u>

See accompanying notes to the basic financial statements.

Botkins Local School District
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2019

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$47,104	\$117,063
Liabilities		
Due to Students	0	\$117,063
Net Position		
Held in Trust for Scholarships:		
Expendable	45,404	
Non-expendable	1,700	
Total Net Position	\$47,104	

See accompanying notes to the basic financial statements.

Botkins Local School District
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2019

	Private Purpose Trust
Additions	
Gifts and Contributions	\$7,685
Interest	34
Total Additions	7,719
Deductions	
Scholarships	8,100
Change in Net Position	(381)
Net Position - Beginning of Year	47,485
Net Position - End of Year	\$47,104

See accompanying notes to the basic financial statements.

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Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 1 - Description of the School District and Reporting Entity

The Botkins Local School District (The School District) is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio, and 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 form of government consisting of five members elected at-large for staggered four year terms. The School District is located in Shelby County. The Board of Education controls the School Districts' instructional/support building which is staffed by 30 classified employees and 45 certificated personnel who provide services to 644 students and other community members. It currently operates one instructional/support building.

Reporting Entity

A. Primary Government

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

B. Component Units

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. The School District is also financially accountable for any 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, and there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The School District does not have any component units.

The School District participates in three jointly governed organizations and three insurance purchasing pools. Note 14 to the basic financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

- Western Ohio Computer Organization
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association

Insurance Purchasing Pools:

- Ohio Association of School Business Officials Workers' Compensation
- Southwestern Group Rating Plan
- Shelby County Schools Consortium
- Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. However, the School District does not have any business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

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

Fund Financial Statements

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

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

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

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. 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.

Bond Retirement - The bond retirement fund accounts for the accumulation of resources received from property taxes for the payment of school improvement general obligation bond principal, interest and related costs.

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

Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The School District's agency fund accounts for those student activity programs which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

C. Basis of Accounting

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

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Budgetary Process

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board of Education uses the function level within each fund for the general fund, classroom facilities special revenue fund and the permanent improvement capital projects fund and the fund level for all other funds as its legal level of control.

The certificate of estimated resources may be amended during the fiscal year if the School District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budget represent the final appropriation the Board passed during the fiscal year.

E. Cash and Investments

The School District pools cash from all funds for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

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

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

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

During fiscal year 2019, the School District invested in Federated Government Obligations Mutual Fund.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2019 was \$72,155, which included \$18,225 assigned from other School District funds.

F. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Interfund Receivables/Payables

The School District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension/OPEB Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension/OPEB plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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

K. Long-term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

L. Net position

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. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

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 governmental funds. The classifications are as follows:

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The 'not in spendable form' includes items that are not expected to be converted to cash.

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

Committed – The committed classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Education). The committed amounts cannot be used for any other purpose unless the 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 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 Board of Education.

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 fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

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

N. Interfund Transactions

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

Note 3- Deposits and Investments

Investment Policies

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

Interim deposits are deposits of interim monies. Interim monies are those monies 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 accounts including but not limited to passbook accounts.

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

Interim deposits are 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 and interest by the United States;

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 3- Deposits and Investments (Continued)

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

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

At fiscal year end, the School District had \$13,295 with the Community Foundation of Shelby County. The Foundation administrators the Botkins Student Memorial Scholarship Fund. Further information on the coverage of these deposits can be obtained from Marian Spicer, Executive Director, 100 South Main Avenue, Suite 202, Sidney, Ohio 45365-2771.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 3- Deposits and Investments (Continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by (1) eligible securities pledged to and deposited with either the School District or a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of deposits being secured (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of the State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of the State.

For 2019, certain School District financial institutions did not participate in the OPCS while certain other financial institutions did participate in the OPCS. Those financial institutions that did participate were approved for a reduced collateral rate of 102 percent through the OPCS.

At fiscal year-end, the carrying amount of the School District’s deposits was \$7,372,306. Cash balances per the bank were \$7,531,416. \$2,995,000 of the School District’s deposits was insured by Federal depository insurance. As of June 30, 2019, \$4,536,416 of the School District’s bank balance of \$7,531,416 was exposed to custodial risk because it was uninsured and collateralized.

Investments

Investments are reported at fair value. The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The School District had the following investment at June 30, 2019:

<u>Investment</u>	<u>Level</u>	<u>Maturity</u>	<u>Fair Value</u>
Federated Government Obligations Mutual Fund	1	30 days	\$ 292,253

Interest Rate Risk - The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District’s investment policy does not further limit its investment choices.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the 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 has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 3- Deposits and Investments (Continued)

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District’s investment policy does not further limit its investment choices. Standard & Poor’s rates the investment in Federated Government Obligations mutual fund AAm.

Concentration of Credit Risk - The School District places no limits on the amount the School District may invest in any one issuer. The School District’s entire investment was in the Federated Government Obligations Mutual Fund.

Note 4 - Property Taxes

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2019 became a lien December 31, 2017, were levied after April 1, 2018 and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Shelby and Auglaize Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2019, are available to finance fiscal year 2019 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The assessed values upon which the fiscal year 2019 taxes were collected are:

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 4 - Property Taxes (Continued)

	2018 Second- Half Collections		2019 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$61,536,840	94.83 %	\$60,905,270	94.58 %
Public Utility Personal	3,353,220	5.17	3,488,610	5.42
Total	<u>\$64,890,060</u>	<u>100.00 %</u>	<u>\$64,393,880</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$35.14		\$35.14	

Note 5 – Income Taxes

Effective January 1, 2009, the School District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. This is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 6 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District contracted with Arthur Gallagher Risk Management Services Inc. through the Southwestern Ohio Educational Purchasing Council. Coverage provided is as follows:

Property Coverage	\$39,306,999
Real and Personal Property (\$5,000 deductible)	1,000,000
Excess Property	350,000,000
Crime Insurance (\$5,000 deductible)	1,000,000
Automobile Liability (\$1,000 deductible)	
Per Occurrence	1,000,000
Uninsured/Underinsured Motorists (\$500 deductible)	
Per Occurrence	300,000
General Liability	
Per Occurrence	1,000,000
Aggregate Limit	3,000,000
School Board Legal Liability and Employment Practices	
Per Occurrence and Aggregate (\$10,000 deductible)	1,000,000
Excess General, Auto and School Board Legal Liability	
Per Occurrence	5,000,000

Settled claims have not exceeded this commercial coverage in the past three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 6 - Risk Management (Continued)

B. Workers' Compensation

For fiscal year 2019, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Southwestern Group Rating Program (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP.

Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

For fiscal year 2019, the School District participated in the Shelby County Schools Consortium, an insurance purchasing pool (Note 14). The intent of the Consortium is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the Consortium.

Note 7 - Defined Benefit Pension Plans

Net Pension Liability/Net OPEB Liability

The net pension/OPEB liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework. The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

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

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

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

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 7 - Defined Benefit Pension Plans (Continued)

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

The remainder of this note includes the required pension disclosures. See Note 8 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 7 - Defined Benefit Pension Plans (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$129,355 for fiscal year 2019.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. In April 2017, the Retirement Board made the decision to reduce COLA granted on or after July 1, 2017, to 0 percent to preserve the fiscal integrity of the retirement system. Benefit recipients' base benefit and past cost-of living increases are not affected by this change. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 27 years of service, or 30 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 or later.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 7 - Defined Benefit Pension Plans (Continued)

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, the employer rate was 14% and the member rate was 14% of covered payroll. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$435,749 fiscal year 2019.

Net Pension Liability

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability			
Prior Measurement Date	0.0271288%	0.02557841%	
Current Measurement Date	<u>0.0279508%</u>	<u>0.02585810%</u>	
Change in Proportionate Share	0.0008220%	0.00027969%	
Proportionate Share of the Net Pension Liability	\$1,600,794	\$5,685,616	\$7,286,410

Actuarial Assumptions - SERS

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

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 7 - Defined Benefit Pension Plans (Continued)

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or AdHoc COLA	2.5 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)

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

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015 adopted by the Board on April 21, 2016.

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

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 7 - Defined Benefit Pension Plans (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension liability	\$2,254,839	\$1,600,794	\$1,052,421

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation.

Inflation	2.50 percent
Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Discount Rate of Return	7.45 percent
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 7 - Defined Benefit Pension Plans (Continued)

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

Actuarial assumptions used in the July 1, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

* 10- Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25%, but does not include investment expenses. Over a 30-year period, STRS Ohio's investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2018.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 7 - Defined Benefit Pension Plans (Continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$8,303,093	\$5,685,616	\$3,470,276

Note 8 – Defined Benefit OPEB Plans

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

See Note 7 for a description of the net OPEB liability.

A. School Employees Retirement System

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

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

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 8 – Defined Benefit OPEB Plans (Continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was \$17,872.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$22,663 for fiscal year 2019.

B. State Teachers Retirement System (STRS)

Plan Description - The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and a portion of the monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a portion of the health care costs in the form of a monthly premium. The statutory employer rate is 14% and the statutory member rate is 14% of covered payroll effective July 1, 2016. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For the year ended June 30, 2019, no employer allocation was made to the post-employment health care fund.

Net OPEB Liability (Asset)

The net OPEB liability (asset) was measured as of June 30, 2018, and the total OPEB asset/liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset)			
Prior Measurement Date	0.0275623%	0.02557841%	
Current Measurement Date	0.0284279%	0.02585810%	
Change in Proportionate Share	0.0008656%	0.00027969%	
Proportionate Share of the Net OPEB Liability (Asset)	\$788,667	(\$416,000)	\$372,667

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 8 – Defined Benefit OPEB Plans (Continued)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Inflation	3.00 percent
Wage Increases	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate, net of plain investment expense, Including price inflation:	
Measurement Date	3.70 percent
Prior Measurement Date	3.63 percent
Medical Trend Assumption	
Medicare	5.375 to 4.76 percent
Pre-Medicare	7.25 to 4.75 percent

The mortality rates were based on the RP-2014 Blue Collar Morality Table with fully generational projection and Scale BB, 120 percent of male rates, and 110 percent of female rates. RP-2000 Disable Mortality Table with 90% for male rates and 100% for female rates set back five years.

The most recent experience study was completed for the five-year period ended June 30, 2015.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 8 – Defined Benefit OPEB Plans (Continued)

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

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

Discount Rate The total pension liability was calculated using the discount rate of 3.70%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62%, as of June 30, 2018 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 8 – Defined Benefit OPEB Plans (Continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) and higher (4.70%) than the current discount rate (3.70%). Also shown is what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.25% decreasing to 3.75%) and higher (8.25% decreasing to 5.75%) than the current rate.

	1% Decrease (2.70%)	Current Discount Rate (3.70%)	1% Increase (4.70%)
School District's proportionate share of the net OPEB liability	\$956,985	\$788,667	\$655,390
	1% Decrease 6.25% decreasing to 3.75%	Current Discount Rate 7.25% decreasing to 4.75%	1% Increase 8.25% decreasing to 5.75%
School District's proportionate share of the net OPEB liability	\$636,309	\$788,667	\$990,415

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2018, actuarial valuation.

Projected salary increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3 percent
Discount Rate of Return	7.45 percent
Health Care Cost Trends	
Medical	
Pre-Medicare	6 percent initial, 4 percent ultimate
Medicare	5 percent initial, 4 percent ultimate
Prescription Drug	
Pre-Medicare	8 percent initial, 4 percent ultimate
Medicare	-5.23 initial, 4 percent ultimate

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

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

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 8 – Defined Benefit OPEB Plans (Continued)

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the Prior Measurement Date, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent based on the methodology defined under GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB). Valuation year per capita health care costs were updated.

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements were scheduled to be discontinued beginning January 1, 2020. However, in June of 2019, the STRS Board voted to extend the current Medicare Part B partial reimbursement for one year.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
 Total	 <u><u>100.00 %</u></u>	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The blended discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was used to measure the total OPEB liability as of June 30, 2018. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 8 – Defined Benefit OPEB Plans (Continued)

Sensitivity of the School District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and the Health Care Cost Trend Rate The following tables represents the net OPEB liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45%, as well as what the School District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45%) or one-percentage-point higher (8.45%) than the current rate. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District’s proportionate share of the net OPEB asset	(\$356,134)	(\$416,000)	(\$465,419)
	1% Decrease In Trend Rate	Current Trend Rate	1% Increase in Trend Rate
School District’s proportionate share of the net OPEB asset	(\$462,602)	(\$416,000)	(\$367,691)

Note 9 – Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days.

B. Insurance Benefits

The School District provides medical and dental insurance through Anthem to its full-time employees.

C. Deferred Compensation

Employees may elect to participate in the Ohio Association of School Business Officials Deferred Compensation Plan. The plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 10 – Long-Term Debt

The changes in the School District’s long-term obligations during the fiscal year consist of the following:

	Amount Outstanding 6/30/2018	Additions	Deletions	Amount Outstanding 6/30/2019	Amount Due in One Year
Governmental Activities					
Bus Loan					
2019 4.6%	\$0	\$78,200	(\$27,247)	\$50,953	\$24,904
School Improvement Bonds					
2012 2-4.25%					
Serial Bonds	340,000	-	(140,000)	200,000	140,000
Term Bonds	5,995,000	-	-	5,995,000	-
Capital Appreciation Bonds	60,000	-	-	60,000	-
Total Governmental Activities					
Long-Term Liabilities	<u>\$6,395,000</u>	<u>\$78,200</u>	<u>(\$167,247)</u>	<u>\$6,305,953</u>	<u>\$164,904</u>

Bus Loan – On January 17, 2019, Botkins Local School District entered into a bus loan for \$72,800. The loan is a 36-month loan requiring annual payments with a final maturity during fiscal year 2021. The loan will be paid from the permanent improvement fund.

School Improvement Bonds – On April 4, 2012, the School District issued \$6,950,000 in school improvement bonds for the purpose of paying the local share of building a new k-12 building in conjunction with the Ohio School Facilities Commission. The bonds were issued for a thirty-five year period with a final maturity date on December 1, 2046. The bonds will be retired from the Bond Retirement Debt Service Fund. \$60,000 is capital appreciation bonds that will be accreted over the life of the bonds and have a maturity amount of \$145,000.

The School District's overall legal debt margin was \$488,708 the un-voted debt margin was \$64,394 at June 30, 2019. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2019, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Bus Loan		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$140,000	\$245,532	\$385,532	\$24,904	\$2,344	\$27,248
2021	145,000	241,956	386,956	26,049	1,198	27,247
2022	60,000	324,782	384,782	-	-	-
2023	150,000	237,719	387,719	-	-	-
2024	150,000	233,406	383,406	-	-	-
2025-2029	830,000	1,090,909	1,920,909	-	-	-
2030-2034	985,000	927,746	1,912,746	-	-	-
2035-2039	1,235,000	677,100	1,912,100	-	-	-
2040-2044	1,510,000	381,925	1,891,925	-	-	-
2045-2047	1,050,000	68,212	1,118,212	-	-	-
Grand Total	<u>\$6,255,000</u>	<u>\$4,429,287</u>	<u>\$10,684,287</u>	<u>\$50,953</u>	<u>\$3,542</u>	<u>\$54,495</u>

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 11 – Fund Balance

Fund balance is classified as nonspendable, 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 governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:				
Food Service Operations	\$-	\$-	\$44,119	\$44,119
Copeland Grants	-	-	1,896	1,896
Classroom Maintenance	-	-	228,311	228,311
Athletics	-	-	75,600	75,600
Capital Improvements	-	-	488,589	488,589
Debt Service	-	993,812	-	993,812
Total Restricted	-	993,812	838,515	1,832,327
Committed to:				
Future Severance Payments	161,807	-	-	161,807
Assigned for:				
Unpaid Obligations	27,331	-	-	27,331
FY 20 Appropriations	2,813,168	-	-	2,813,168
Educational Activities	18,849	-	-	18,849
Playground Equipment	8,679	-	-	8,679
Total Assigned	2,868,027	-	-	2,868,027
Unassigned	2,651,526	-	-	2,651,526
Total Fund Balance	<u>\$5,681,360</u>	<u>\$993,812</u>	<u>\$838,515</u>	<u>\$7,513,687</u>

Note 12 – Interfund Transactions

During fiscal year 2019, the School District transferred \$141,517 from the Bond Retirement Fund to the Permanent Improvement Fund to support the capital improvements. The School District transferred \$25,000 from the General fund to the severance account (combined with the General Fund in the report) to provide for future retirements.

Note 13 - Set-Aside Calculations

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

The following cash basis information identifies the changes in the fund balance reserves capital improvements during fiscal year 2019.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 13 - Set-Aside Calculations (Continued)

	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2018	\$0
Current Year Set-aside Requirement	116,836
Current Year Offsets	(114,120)
Prior Year Unused Bond Proceeds	(2,716)
Totals	\$0

The School District had offsets during the fiscal year that reduced the capital improvements set-aside amounts below zero. Only unused bond proceeds from classroom facilities are allowed to be carried forward. At June 30, 2019, the School District had \$6,938,419 in unused bond proceeds.

Note 14 - Jointly Governed Organizations and Insurance Purchasing Pools

A. Jointly Governed Organizations

Western Ohio Computer Organization - The School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. The Western Ohio Computer Organization is one of the 23 Information Technology Center's (ITC) in the state of Ohio, which were formed in the late 70's, early 80's. These "ITC's" were originally charged to provide computer services to the member school district's fiscal offices, forming what is known today as the OECN, The Ohio Educational Computer Network. WOCO began its operations in 1980 providing computer services to 29 members school districts located in the five county area of Shelby, Auglaize, Hardin, Logan and Champaign. Today WOCO provides technical services to 34 public school districts, 5 public charter schools and 4 non-public districts.

The governing board of WOCO consists of fourteen members who consist of the Superintendent of the Fiscal Agent, two Superintendents from each county (Auglaize, Champaign, Hardin, Logan and Shelby), one representative from the city schools and one representative each from the treasurer and student services users. The School District paid WOCO \$44,736 for services provided during the fiscal year. Financial information can be obtained from Donn Wells, who serves as Director, at 129 E. Court Street, Sidney, OH 45365.

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 240 school districts/organizations in 37 counties in Ohio and 2 in Kentucky. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2019, the School District paid \$50,489 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 14 - Jointly Governed Organizations and Insurance Purchasing Pools (Continued)

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2019, the School District paid \$1,564 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Deb Tschirhart, who serves as Executive Director, at 1205 E. Fifth Street, Dayton, OH 45402.

B. Insurance Purchasing Pools

Ohio Association of School Business Officials Workers' Compensation Southwestern Group Rating Plan - The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials (OASBO) as an insurance purchasing pool. During fiscal year 2019, the School District paid \$3,486 to OASBO.

Shelby County Schools Consortium – The Shelby County Schools Consortium is an insurance purchasing pool among the local school districts Shelby County. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts to provide health/surgical, dental and term-life benefits to its participants at a lower rate than if individual districts acted independently. On January 1, 2018, the School District started a self-funded plan with Jefferson Health Plan.

An administrative committee consisting of the superintendent from each participating school district and the educational service center governs the Consortium. The degree of control exercised by any participating school district is limited to its representation on the committee. Payments for health and dental insurance for fiscal year 2019 was \$853,083. Financial information can be obtained from Larry Lentz CLU, CHFC Pinnacle Advisory Group, 462 Twelve Oaks Trail, Dayton, OH 45434.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 14 - Jointly Governed Organizations and Insurance Purchasing Pools (Continued)

Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program – The School District participates in the Southwestern Ohio Educational Council Property, Fleet and Liability Program (PFL). The PFL’s business affairs are conducted by a six-member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the program is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. Payments made for insurance for fiscal year 2019 insurance was \$50,489. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Note 15 – Donor Restricted Endowments

The School District’s private purpose trust funds include donor-restricted endowments. These assets are shown as net position held in trust for scholarships - non-expendable to represent the principal portion of the endowment. The amount of net appreciation in donor-restricted investments that is available for expenditures by the governing body is shown as net position held in trust for scholarships - expendable. State law permits the governing board to appropriate, for purposes consistent with the endowment’s intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments of the private purpose funds indicate that the interest should be used to provide scholarships.

Note 16 – Budgetary Basis of Accounting

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

- 1.) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as part or restricted, committed or assigned fund balance (cash basis) and
- 2.) Perspective differences resulting from differences in fund structure.

Cash Basis net change in fund balance	(\$179,213)
Perspective Differences	(24,919)
Adjustment for Encumbrances	(27,331)
Budget Basis net change in fund balance	(\$231,463)

Note 17 – Significant Contractual Commitments

The School District had the following contractual commitments at June 30, 2019:

Vendor	Amount	Expended	Balance
Cotterman & Company, Inc.	\$ 141,517	\$ -	\$ 141,517
Village of Botkins	18,582	4,646	13,936

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 18 - Contingencies

A. Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2019.

B. Litigation

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

C. Foundation Payments

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. The financial statement impact was determined to be immaterial and is not reported as an asset or a liability of the School District. The total amount due to the Ohio Department of Education is \$6.

Note 19 – Tax Abatements

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures, the County is required to disclose certain information about tax abatements as defined in the Statement. For purposes of GASB Statement 77, a tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the local government or its citizens.

Community Reinvestment Area (CRA) Program

The Ohio Community Reinvestment Area program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. Community Reinvestment Areas (CRA) are areas of land in which property owners can receive tax incentives for investing in real property improvements. In order to use the Community Reinvestment program, a city, village, or county petitions to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing has traditionally been discouraged. Once the area is confirmed by the Director of ODSA, communities may offer real property tax exemptions to taxpayers that invest in that area.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2019

Note 19 – Tax Abatements (Continued)

The type of development is determined by specifying the eligibility of residential, commercial and/or industrial projects. The local governments negotiate property tax exemptions on new property tax from investment for up to one hundred percent for up to fifteen years based on the amount of investments made to renovate or construct buildings within a CRA. Taxes are abated as the increase in assessed value resulting from the investment is not included (or included at a lesser amount) in the assessed value used for property tax computation for the taxpayer. For commercial projects, job retention and/or creation is also required. Agreements must be in place before the project begins. Provisions for recapturing property tax exemptions, which can be used at the discretions of the local governments, are pursuant to ORC Section 9.66(C)(1) and 9.66(C)(2).

The Village of Botkins entered into agreements with Platfoot Industrial Properties LLC and Double C Properties LLC. The property taxes foregone by the School District for the abatement program for the year ended December 31, 2018, was \$21,326.

Note 20 – Compliance

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

Note 21 – Change in Accounting Principles

For fiscal year 2019, the School District has implemented Governmental Accounting Standard Board Statement No. 83, “Certain Asset Retirement Obligations”. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). The implementation of this statement had no effect on the financial statements of the School District.

For fiscal year 2019, the School District has implemented GASB Statement No. 88, "Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements", which improves the information that is disclosed in notes to governmental financial statements related to debt, including direct borrows and direct placements. The implementation of GASB 88 did not have an effect on the financial statements of the School District.

Botkins Local School District
Statement of Net Position - Cash Basis
June 30, 2018

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$7,589,757</u>
<i>Total Assets</i>	<u><u>\$7,589,757</u></u>
Net Position	
Restricted for:	
Capital Outlay	\$348,209
Debt Service	1,018,956
Other Purposes	362,019
Unrestricted	<u>5,860,573</u>
<i>Total Net Position</i>	<u><u>\$7,589,757</u></u>

See accompanying notes to the basic financial statements.

Botkins Local School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2018

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Total Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$3,013,900	\$1,825,743	\$21,090	(\$1,167,067)
Special	835,994	-	232,618	(603,376)
Vocational	185,770	-	22,308	(163,462)
Student Intervention Services	62,815	-	-	(62,815)
Other	88,187	-	-	(88,187)
Support Services:				
Pupil	338,535	24,033	54,369	(260,133)
Instructional Staff	379,368	-	846	(378,522)
Board of Education	21,587	-	-	(21,587)
Administration	557,641	-	-	(557,641)
Fiscal	242,629	15,907	514	(226,208)
Operation and Maintenance of Plant	604,854	8,007	-	(596,847)
Pupil Transportation	226,534	12,694	-	(213,840)
Central	1,795	-	-	(1,795)
Operation of Non-Instructional Services	263,064	156,959	71,577	(34,528)
Extracurricular Activities	412,726	112,421	12,656	(287,649)
Capital Outlay	71,334	-	-	(71,334)
Principal Retirement	165,000	-	-	(165,000)
Interest and Fiscal Charges	252,109	-	-	(252,109)
<i>Total Governmental Activities</i>	<u>\$7,723,842</u>	<u>\$2,155,764</u>	<u>\$415,978</u>	(5,152,100)
General Receipts				
Property Taxes Levied for:				
General Purposes				1,191,721
Capital Outlay				91,865
Debt Service				467,673
Other Purposes				22,966
Income Taxes Levied for General Purposes				677,937
Grants and Entitlements not Restricted to Specific Programs				2,866,498
Payments in Lieu of Taxes				11,426
Gifts and Donations not Restricted to Specific Programs				20,000
Interest				30,090
Miscellaneous				42,303
<i>Total General Receipts</i>				<u>5,422,479</u>
Change in Net Position				270,379
<i>Net Position Beginning of Year</i>				<u>7,319,378</u>
<i>Net Position End of Year</i>				<u><u>\$7,589,757</u></u>

See accompanying notes to the basic financial statements.

Botkins Local School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$5,860,573	\$1,018,956	\$710,228	\$7,589,757
<i>Total Assets</i>	<u>\$5,860,573</u>	<u>\$1,018,956</u>	<u>\$710,228</u>	<u>\$7,589,757</u>
Fund Balances				
Restricted	\$0	\$1,018,956	\$710,228	\$1,729,184
Committed	136,808	-	-	136,808
Assigned	2,791,804	-	-	2,791,804
Unassigned	\$2,931,961	-	-	2,931,961
<i>Total Fund Balances</i>	<u>\$5,860,573</u>	<u>\$1,018,956</u>	<u>\$710,228</u>	<u>\$7,589,757</u>

See accompanying notes to the basic financial statements.

Botkins Local School District
Statement of Cash Receipts, Disbursements and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Receipts				
Property Taxes	\$1,191,721	\$467,673	\$114,831	\$1,774,225
Income Taxes	677,937	-	-	677,937
Intergovernmental	2,939,618	71,636	253,953	3,265,207
Interest	30,090	-	10	30,100
Tuition and Fees	1,825,743	-	-	1,825,743
Rentals	907	-	100	1,007
Extracurricular Activities	24,033	-	124,176	148,209
Contributions and Donations	4,603	-	32,656	37,259
Charges for Services	-	-	162,828	162,828
Payments in Lieu of Taxes	11,426	-	-	11,426
Miscellaneous	33,110	4,191	22,979	60,280
<i>Total Receipts</i>	<u>6,739,188</u>	<u>543,500</u>	<u>711,533</u>	<u>7,994,221</u>
Disbursements				
Current:				
Instruction:				
Regular	2,992,440	-	21,460	3,013,900
Special	749,328	-	86,666	835,994
Vocational	181,422	-	4,348	185,770
Student Intervention Services	62,815	-	-	62,815
Other	88,187	-	-	88,187
Support Services:				
Pupil	288,769	-	49,766	338,535
Instructional Staff	350,481	-	28,887	379,368
Board of Education	21,587	-	-	21,587
Administration	557,641	-	-	557,641
Fiscal	230,212	9,975	2,442	242,629
Operation and Maintenance of Plant	572,688	-	32,166	604,854
Pupil Transportation	183,699	-	42,835	226,534
Central	1,795	-	-	1,795
Operation of Non-Instructional Services	5,080	-	257,984	263,064
Extracurricular Activities	258,076	-	154,650	412,726
Capital Outlay	43,014	-	28,320	71,334
Debt Service:				
Principal Retirement	-	165,000	-	165,000
Interest and Fiscal Charges	-	252,109	-	252,109
<i>Total Disbursements</i>	<u>6,587,234</u>	<u>427,084</u>	<u>709,524</u>	<u>7,723,842</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>151,954</u>	<u>116,416</u>	<u>2,009</u>	<u>270,379</u>
Other Financing Sources (Uses)				
Transfers In	30,000	-	60,000	90,000
Transfers Out	(90,000)	-	-	(90,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(60,000)</u>	<u>-</u>	<u>60,000</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	91,954	116,416	62,009	270,379
<i>Fund Balances Beginning of Year</i>	<u>5,768,619</u>	<u>902,540</u>	<u>648,219</u>	<u>7,319,378</u>
<i>Fund Balances End of Year</i>	<u>\$5,860,573</u>	<u>\$1,018,956</u>	<u>\$710,228</u>	<u>\$7,589,757</u>

See accompanying notes to the basic financial statements.

Botkins Local School District
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Receipts				
Property Taxes	\$1,045,000	\$1,045,000	\$1,191,721	\$146,721
Income Taxes	710,000	710,000	677,937	(32,063)
Intergovernmental	2,837,550	2,837,550	2,939,618	102,068
Interest	10,000	10,000	30,090	20,090
Tuition and Fees	1,950,000	1,850,000	1,825,743	(24,257)
Rentals	1,300	1,300	907	(393)
Contributions and Donations	500	500	-	(500)
Miscellaneous	15,000	15,000	15,372	372
<i>Total Receipts</i>	<u>6,569,350</u>	<u>6,469,350</u>	<u>6,681,388</u>	<u>212,038</u>
Disbursements				
Current:				
Instruction:				
Regular	3,425,078	3,460,078	2,978,059	482,019
Special	892,469	892,469	758,242	134,227
Vocational	231,547	236,547	187,711	48,836
Student Intervention Services	79,700	79,700	62,815	16,885
Other	135,000	135,000	88,187	46,813
Support Services:				
Pupil	301,510	301,510	257,709	43,801
Instructional Staff	442,714	442,714	357,658	85,056
Board of Education	25,250	25,250	21,587	3,663
Administration	1,592,385	1,488,886	560,282	928,604
Fiscal	267,950	267,950	230,762	37,188
Operation and Maintenance of Plant	682,160	682,160	588,854	93,306
Pupil Transportation	236,509	236,509	183,899	52,610
Central	5,000	5,000	1,855	3,145
Operation of Non-Instructional Services	500	1,000	688	312
Extracurricular Activities	357,187	360,187	272,013	88,174
Capital Outlay	65,000	70,000	53,797	16,203
<i>Total Disbursements</i>	<u>8,739,959</u>	<u>8,684,960</u>	<u>6,604,118</u>	<u>2,080,842</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,170,609)</u>	<u>(2,215,610)</u>	<u>77,270</u>	<u>2,292,880</u>
Other Financing Sources (Uses)				
Transfers In	30,000	30,000	40,000	10,000
Refund of Prior Year Expenditures	15,000	15,000	29,163	14,163
Transfers Out	(75,000)	(130,000)	(130,000)	-
Advances out	(50,000)	(50,000)	-	50,000
<i>Total Other Financing Sources (Uses)</i>	<u>(80,000)</u>	<u>(135,000)</u>	<u>(60,837)</u>	<u>74,163</u>
<i>Net Change in Fund Balance</i>	<u>(2,250,609)</u>	<u>(2,350,610)</u>	<u>16,433</u>	<u>2,367,043</u>
<i>Fund Balance Beginning of Year</i>	<u>5,537,187</u>	<u>5,537,187</u>	<u>5,537,187</u>	<u>-</u>
Prior Year Encumbrances Appropriated	<u>69,177</u>	<u>69,177</u>	<u>69,177</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$3,355,755</u>	<u>\$3,255,754</u>	<u>\$5,622,797</u>	<u>\$2,367,043</u>

See accompanying notes to the basic financial statements.

Botkins Local School District
Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
June 30, 2018

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$47,485	\$110,519
Liabilities		
Due to Students	0	\$110,519
Net Position		
Held in Trust for Scholarships:		
Expendable	45,785	
Non-expendable	1,700	
Total Net Position	\$47,485	

See accompanying notes to the basic financial statements

Botkins Local School District
Statement of Changes in Fiduciary Net Position - Cash Basis
Fiduciary Funds
For the Fiscal Year Ended June 30, 2018

	Private Purpose Trust
Additions	
Gifts and Contributions	\$8,421
Interest	32
Miscellaneous	10
Total Additions	8,463
Deductions	
Scholarships	9,793
Change in Net Position	(1,330)
Net Position - Beginning of Year	48,815
Net Position - End of Year	\$47,485

See accompanying notes to the basic financial statements

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Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 1 - Description of the School District and Reporting Entity

The Botkins Local School District (The School District) is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio, and 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 form of government consisting of five members elected at-large for staggered four year terms. The School District is located in Shelby County. The Board of Education controls the School Districts' instructional/support building which is staffed by 31 classified employees and 45 certificated personnel who provide services to 664 students and other community members. It currently operates one instructional/support building.

Reporting Entity

A. Primary Government

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

B. Component Units

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. The School District is also financially accountable for any 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, and there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The School District does not have any component units.

The School District participates in three jointly governed organizations and three insurance purchasing pools. Note 14 to the basic financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organizations:

- Western Ohio Computer Organization
- Southwestern Ohio Educational Purchasing Council
- Southwestern Ohio Instructional Technology Association

Insurance Purchasing Pools:

- Ohio Association of School Business Officials Workers' Compensation
- Southwestern Group Rating Plan
- Shelby County Schools Consortium
- Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the School District that are governmental in nature and those that are considered business-type activities. However, the School District does not have any business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

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

Fund Financial Statements

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

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

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

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. 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.

Bond Retirement - The bond retirement fund accounts for the accumulation of resources received from property taxes for the payment of school improvement general obligation bond principal, interest and related costs.

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

Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature. The School District's agency fund accounts for those student activity programs which have student participation in the activities and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

C. Basis of Accounting

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

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. If the School District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

D. Budgetary Process

Ohio law requires all funds, other than agency funds, to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which use the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The Board of Education uses the function level within each fund for the general fund, classroom facilities special revenue fund and the permanent improvement capital projects fund and the fund level for all other funds as its legal level of control.

The certificate of estimated resources may be amended during the fiscal year if the School District Treasurer projects increases or decreases in receipts. The amounts reported as the original budget in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budget in the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The Board may amend appropriations throughout the fiscal year with the restriction that appropriations may not exceed estimated resources. The amounts reported as the original budget reflect the first appropriation for that fund covering the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budget represent the final appropriation the Board passed during the fiscal year.

E. Cash and Investments

The School District pools cash from all funds for investment purposes. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

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

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

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

During fiscal year 2018, the School District invested in Federated Government Obligations Mutual Fund.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2018 was \$30,090, which included \$6,977 assigned from other School District funds.

F. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Interfund Receivables/Payables

The School District reports advances in and advances out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension and Postemployment Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension and postemployment plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

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

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

K. Long-term Obligations

The School District's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Net position

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. Net position restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to cash disbursement for specified purposes. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net position are available.

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 governmental funds. The classifications are as follows:

Non-spendable – The non-spendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The 'not in spendable form' includes items that are not expected to be converted to cash.

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

Committed – The committed classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board of Education). The committed amounts cannot be used for any other purpose unless the 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 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 Board of Education.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

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 fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

N. Interfund Transactions

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

Note 3- Deposits and Investments

Investment Policies

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

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

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

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 3- Deposits and Investments (Continued)

Interim deposits are 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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); and
7. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts.

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.

At fiscal year end, the School District had \$13,795 with the Community Foundation of Shelby County.

The Foundation administrators the Botkins Student Memorial Scholarship Fund. Further information on the coverage of these deposits can be obtained from Marian Spicer, Executive Director, 100 South Main Avenue, Suite 202, Sidney, Ohio 45365-2771.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 3- Deposits and Investments (Continued)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party. The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by (1) eligible securities pledged to and deposited with either the School District or a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of deposits being secured (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of the State to secure the repayment of all public monies deposited in the financial institution.

OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of the State. For 2018, certain School District financial institutions did not participate in the OPCS while certain other financial institutions did participate in the OPCS. Those financial institutions that did participate were approved for a reduced collateral rate of 102 percent through the OPCS.

At fiscal year-end, the carrying amount of the School District's deposits was \$7,207,579. Cash balances per the bank were \$7,351,609. \$2,750,000 of the School District's deposits was insured by Federal depository insurance. As of June 30, 2018, \$4,601,609 of the School District's bank balance of \$7,351,609 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Investments

Investments are reported at fair value. The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The School District had the following investments at June 30, 2018:

<u>Investment</u>	<u>Level</u>	<u>Maturity</u>	<u>Fair Value</u>
Federated Government Obligations Mutual Fund	1	23 days	\$526,387

Interest Rate Risk - The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's investment policy does not further limit its investment choices.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of the failure of the 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 has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 3- Deposits and Investments (Continued)

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. The School District’s investment policy does not further limit its investment choices. Standard & Poor’s rates the investment in Federated Government Obligations mutual fund AAAM.

Concentration of Credit Risk - The School District places no limits on the amount the School District may invest in any one issuer. The School District’s entire investment was in the Federated Government Obligations Mutual Fund.

Note 4 - Property Taxes

Property taxes include amounts levied against all real property and public utility property located in the School District. Real property tax receipts received in calendar year 2018 represent the collection of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value.

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies. The tax rates vary according to the type of public utility. Public utility taxes are levied on all tangible personal property owned and located in Ohio on December 31 of the preceding year.

Real property and public utility taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Shelby and Auglaize Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2018, are available to finance fiscal year 2018 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The assessed values upon which the fiscal year 2018 taxes were collected are:

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 4 - Property Taxes (Continued)

	2017 Second- Half Collections		2018 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$61,536,840	95.27 %	\$61,536,840	94.83 %
Public Utility Personal	3,057,430	4.73	3,353,220	5.17
Total	<u>\$64,594,270</u>	<u>100.00 %</u>	<u>\$64,890,060</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$35.39		\$35.14	

Note 5 – Income Taxes

Effective January 1, 2009, the School District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. This is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 6 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District contracted with Arthur Gallagher Risk Management Services Inc. through the Southwestern Ohio Educational Purchasing Council. Coverage provided is as follows:

Building and Contents (\$5,000 deductible)	\$1,000,000
Excess Property	350,000,000
Crime Insurance (\$5,000 deductible)	1,000,000
Automobile Liability (\$1,000 deductible)	
Per Occurrence	1,000,000
Uninsured/Underinsured Motorists (\$500 deductible)	
Per Occurrence	300,000
General Liability	
Per Occurrence	1,000,000
Aggregate Limit	3,000,000
School Board Legal Liability and Employment Practices	
Per Occurrence and Aggregate	1,000,000
Excess General, Auto and School Board Legal Liability	
Per Occurrence	5,000,000

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 6 - Risk Management (Continued)

Settled claims have not exceeded this commercial coverage in the past three fiscal years. There has been no significant reduction in insurance coverage from last fiscal year.

B. Workers' Compensation

For fiscal year 2018, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Southwestern Group Rating Program (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP.

Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

For fiscal year 2018, the School District participated in the Shelby County Schools Consortium, an insurance purchasing pool (Note 14). The intent of the Consortium is to achieve the benefit of reduced health insurance premiums for the School District by virtue of its grouping and representation with other participants in the Consortium.

Note 7 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 7 - Defined Benefit Pension Plans (Continued)

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 7 - Defined Benefit Pension Plans (Continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2018, the allocation to pension, death benefits, and Medicare B was 13.5 percent. The remaining 0.5 percent was allocated to the Health Care Fund.

The School District's contractually required contribution to SERS was \$125,590 for fiscal year 2018.

Plan Description - State Teachers Retirement System (STRS)

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

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

The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective July 1, 2017, the cost of living adjustment was reduced to zero. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. Member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 or later.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 7 - Defined Benefit Pension Plans (Continued)

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

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

Funding Policy Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2018, the employer rate was 14% and the member rate was 14% of covered payroll. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2018 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$424,197 fiscal year 2018.

Net Pension Liability

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net Pension Liability			
Prior Measurement Date	0.0258839%	0.02411500%	
Current Measurement Date	0.0271288%	0.02557841%	
Change in Proportionate Share	0.0012449%	0.00146341%	
Proportionate Share of the Net Pension Liability	\$1,620,886	\$6,076,206	\$7,697,092

Actuarial Assumptions - SERS

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

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 7 - Defined Benefit Pension Plans (Continued)

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Wage Inflation	3.0 percent
Future Salary Increases, including inflation	3.5 percent to 18.2 percent
COLA or Ad Hoc COLA	2.5 percent
Investment Rate of Return	7.5 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

Prior to 2017, an assumption of 3 percent was used for COLA or Ad Hoc COLA.

For 2017, the mortality rates were based on the RP-2014 Blue Collar Morality Table with fully generational projection and a five-year age set-back for both males and females. Mortality among service retired members, and beneficiaries were based upon the RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates. Mortality among disabled members were based upon the RP-2000 Disability Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability.

The most recent experience study was completed for the five year period ended June 30, 2015.

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

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 7 - Defined Benefit Pension Plans (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.5 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.5 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent), or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
School District's proportionate share of the net pension liability	\$2,249,368	\$1,620,886	\$1,094,404

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation, compared with July 1, 2016, are presented below:

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 7 - Defined Benefit Pension Plans (Continued)

	July 1, 2017	July 1, 2016
Inflation	2.50 percent	2.75 percent
Projected salary increases	12.5 percent at age 20 to 2.5 percent at age 65	12.5 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.45 percent, net of investment expenses	7.75 percent, net of investment expenses
Payroll Increases	3 percent	3.5 percent
Cost-of-Living Adjustments (COLA)	0.0 percent effective July 1, 2017	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

For the July 1, 2017, actuarial valuation, post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

For the July 1, 2016 actuarial valuation, mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89, and no set back from age 90 and above.

Actuarial assumptions used in the July 1 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016. Actuarial assumptions used in the June 30, 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 7 - Defined Benefit Pension Plans (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2017. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2017.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current rate:

	<u>1% Decrease (6.45%)</u>	<u>Current Discount Rate (7.45%)</u>	<u>1% Increase (8.45%)</u>
School District's proportionate share of the net pension liability	\$8,710,035	\$6,076,206	\$3,857,600

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 8 – Defined Benefit OPEB Plans

For fiscal year 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” was effective. This GASB pronouncement had no effect on beginning net position as reported June 30, 2017, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

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

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

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

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

A. School Employees Retirement System

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

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 8 – Defined Benefit OPEB Plans (Continued)

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2018, .5 percent of covered payroll was made to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated if less than a full year of service credit was earned. For fiscal year 2018, this amount was \$23,700. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2018, the School District's surcharge obligation was \$15,677.

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contributions to SERS for OPEB for the fiscal year ended June 30, 2018 was \$20,328.

B. State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, 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, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2018, STRS did not allocate any employer contributions to post-employment health care.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 8 – Defined Benefit OPEB Plans (Continued)

Net OPEB Liability

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net OPEB Liability			
Current Measurement Date	0.0275623%	0.02557841%	
Proportionate Share of the Net OPEB Liability			
Liability	\$739,700	\$997,975	\$1,737,675

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation, prepared as of June 30, 2017, are presented below:

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 8 – Defined Benefit OPEB Plans (Continued)

	July 1, 2017
Inflation	3.00%
Projected salary increases	3.5% - 18.2%
Investment Rate of Return	7.50% net of investment expenses, including inflation
Payroll Increases	3 percent
Municipal Bond Index Rate	
Prior Measurement Date	2.92%
Measurement Date	3.56%
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Prior Measurement Date	2.98%
Measurement Date	3.63%
Medical Assumption Trend	
Pre-Medicare	7.50% - 5.00%
Medicare	5.50% - 5.00%

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The most recent experience study was completed for the five year period ended June 30, 2015.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2010 through 2015, and was adopted by the Board on April 21, 2016. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 8 – Defined Benefit OPEB Plans (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Stocks	22.50	4.75
Non-US Stocks	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.63 percent. The discount rate used to measure total OPEB liability prior to June 30, 2017 was 2.98 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the state statute contribution rate of 2.00 percent of projected covered employee payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2025. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2024 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.56 percent, as of June 30, 2017 (i.e. municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability of SERS, what SERS' net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) and higher (4.63%) than the current discount rate (3.63%).

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$893,282	\$739,700	\$618,024

The following table presents the OPEB liability of SERS, what SERS' net OPEB liability would be based on health care cost trend rates that are 1 percentage point lower (6.5% decreasing to 4.0%) and higher (8.5% decreasing to 6.0%) than the current rate.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 8 – Defined Benefit OPEB Plans (Continued)

	<u>1% Decrease</u> 6.5% decreasing to 4.0%	<u>Current</u> <u>Discount Rate</u> 7.5% decreasing to 5.0%	<u>1% Increase</u> 8.5% decreasing to 6.0%
School District's proportionate share of the net OPEB liability	\$600,211	\$739,700	\$924,316

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the July 1, 2017, actuarial valuation.

	<u>July 1, 2017</u>
Inflation	2.50%
Salary increases	12.5% at age 20 to 2.5% at age 65 7.45%, net of investment expenses
Investment Rate of Return	3%
Payroll Increases	0.0% effective July 1, 2017
Cost-of-Living Adjustments	4.13%
Blended Discount rate of return	6% - 11% initial, 4.50% ultimate
Health care cost trends	

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

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

Actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, the discount rate was increased from 3.26 percent to 4.13 percent based on the methodology defined under GASB *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans (OPEB)* and the long term expected rate of return was reduced from 7.75 percent to 7.45 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 8 – Defined Benefit OPEB Plans (Continued)

Also since the prior measurement date, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. Subsequent to the current measurement date, the date for discontinuing remaining Medicare Part B premium reimbursements was extended to January 2020.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return *</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

* 10 year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 4.13 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was not projected to be sufficient to make all projected future benefit payments of current plan members. The OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2037. Therefore, the long-term expected rate of return on OPEB plan assets was used to determine the present value of the projected benefit payments through the fiscal year ending June 30, 2036 and the Bond Buyer 20-year municipal bond rate of 3.58 percent as of June 30, 2017 (i.e. municipal bond rate), was used to determine the present value of the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The blended discount rate of 4.13 percent, which represents the long-term expected rate of return of 7.45 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 3.58 percent for the unfunded benefit payments, was used to measure the total OPEB liability as of June 30, 2017. A blended discount rate of 3.26 percent which represents the long term expected rate of return of 7.75 percent for the funded benefit payments and the Bond Buyer 20-year municipal bond rate of 2.85 percent for the unfunded benefit payments was used to measure the total OPEB liability at June 30, 2016.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 8 – Defined Benefit OPEB Plans (Continued)

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rate The following tables represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13%, as well as what the School District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (3.13%) or one-percentage-point higher (5.13%) than the current rate. Also shown is the net OPEB liability as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
School District's proportionate share of the net OPEB liability	\$1,339,766	\$997,975	\$727,849
	1% Decrease In Trend Rate	Current Trend Rate	1% Increase in Trend Rate
School District's proportionate share of the net OPEB liability	\$693,350	\$997,975	\$1,398,897

Note 9 – Other Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days.

B. Insurance Benefits

The School District provides medical and dental insurance through Anthem to its full-time employees.

C. Deferred Compensation

Employees may elect to participate in the Ohio Association of School Business Officials Deferred Compensation Plan. The plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 10 – Long-Term Debt

The changes in the School District’s long-term obligations during the fiscal year consist of the following:

	Amount Outstanding 6/30/2017	Additions	Deletions	Amount Outstanding 6/30/2018	Amount Due in One Year
Governmental Activities					
Building Assistance Bond					
1995 5.1-6.85%	\$30,000	\$0	(\$30,000)	\$0	\$0
School Improvement Bonds					
2012 2-4.25%					
Serial Bonds	475,000	-	(135,000)	340,000	140,000
Term Bonds	5,995,000	-	-	5,995,000	-
Capital Appreciation					
Bonds	60,000	-	-	60,000	-
Total Governmental Activities					
Long-Term Liabilities	<u>\$6,560,000</u>	<u>\$0</u>	<u>(\$165,000)</u>	<u>\$6,395,000</u>	<u>\$140,000</u>

Building Assistance Bond – On January 15, 1995, Botkins Local School District issued \$750,000 in voted general obligation bonds for the purpose of the acquisition, construction, reconstruction and improvements of buildings and structures and the acquisition of sites. The bonds were issued for a twenty-year period with a final maturity during fiscal year 2018. The bonds were retired from the Bond Retirement Debt Service Fund.

School Improvement Bonds – On April 4, 2012, the School District issued \$6,950,000 in school improvement bonds for the purpose of paying the local share of building a new k-12 building in conjunction with the Ohio School Facilities Commission. The bonds were issued for a thirty-five year period with a final maturity date on December 1, 2046. The bonds will be retired from the Bond Retirement Debt Service Fund. \$60,000 is capital appreciation bonds that will be accreted over the life of the bonds and have a maturity amount of \$145,000.

The School District's overall legal debt margin was \$464,061 the un-voted debt margin was \$64,890 at June 30, 2018. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2018, are as follows:

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2019	\$140,000	\$248,331	\$388,331
2020	140,000	245,532	385,532
2021	145,000	241,956	386,956
2022	60,000	324,782	384,782
2023	150,000	237,719	387,719
2024-2028	800,000	1,118,284	1,918,284
2029-2033	955,000	963,652	1,918,652
2034-2038	1,175,000	736,000	1,911,000
2039-2043	1,460,000	441,725	1,901,725
2044-2047	1,370,000	119,638	1,489,638
Grand Total	<u>\$6,395,000</u>	<u>\$4,677,619</u>	<u>\$11,072,619</u>

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 11 – Fund Balance

Fund balance is classified as nonspendable, 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 governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted for:				
Food Service Operations	\$-	\$-	\$60,717	\$60,717
Copeland Grants	-	-	1,322	1,322
Classroom Maintenance	-	-	208,892	208,892
Athletics	-	-	91,088	91,088
Capital Improvements	-	-	348,209	348,209
Debt Service	-	1,018,956	-	1,018,956
Total Restricted	-	1,018,956	710,228	1,729,184
Committed to:				
Future Severance Payments	136,808	-	-	136,808
Assigned for:				
Unpaid Obligations	73,375	-	-	73,375
FY 19 Appropriations	2,690,819	-	-	2,690,819
Educational Activities	18,931	-	-	18,931
Playground Equipment	8,679	-	-	8,679
Total Assigned	2,791,804	-	-	2,791,804
Unassigned	2,931,961	-	-	2,931,961
Total Fund Balance	\$5,860,573	\$1,018,956	\$710,228	\$7,589,757

Note 12 – Interfund Transactions

During fiscal year 2018, the School District transferred \$60,000 from the General Fund to the Permanent Improvement Fund to support the capital improvements. The School District transferred \$30,000 from the General fund to the severance account (combined with the General Fund in the report) to provide for future retirements.

Note 13 - Set-Aside Calculations

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

The following cash basis information identifies the changes in the fund balance reserves capital improvements during fiscal year 2018.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 13 - Set-Aside Calculations (Continued)

	Capital Acquisitions
Set-aside Reserve Balance of June 30, 2017	\$0
Current Year Set-aside Requirement Current	118,085
Year Offsets	(114,831)
Prior Year Unused Bond Proceeds	(3,254)
Totals	\$0

The School District had offsets during the fiscal year that reduced the capital improvements set-aside amounts below zero. Only unused bond proceeds from classroom facilities are allowed to be carried forward. At June 30, 2018, the School District had \$6,941,136 in unused bond proceeds.

Note 14 - Jointly Governed Organizations and Insurance Purchasing Pools

A. Jointly Governed Organizations

Western Ohio Computer Organization - The School District is a participant in the Western Ohio Computer Organization (WOCO) which is a computer consortium. The Western Ohio Computer Organization is one of the 23 Information Technology Center's (ITC) in the state of Ohio, which were formed in the late 70's, early 80's. These "ITC's" were originally charged to provide computer services to the member school district's fiscal offices, forming what is known today as the OECN, The Ohio Educational Computer Network. WOCO began its operations in 1980 providing computer services to 29 members school districts located in the five county area of Shelby, Auglaize, Hardin, Logan and Champaign. Today WOCO provides technical services to 34 public school districts, 5 public charter schools and 4 non-public districts.

The governing board of WOCO consists of fourteen members who consist of the Superintendent of the Fiscal Agent, two Superintendents from each county (Auglaize, Champaign, Hardin, Logan and Shelby), one representative from the city schools and one representative each from the treasurer and student services users. The School District paid WOCO \$35,257 for services provided during the fiscal year. Financial information can be obtained from Donn Wells, who serves as Director, at 129 E. Court Street, Sidney, OH 45365.

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of 153 school districts in 18 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC. Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group.

During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund. During fiscal year 2018, the School District paid \$53,782 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 14 - Jointly Governed Organizations and Insurance Purchasing Pools (Continued)

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs. The Board of Trustees is comprised of twenty-three representatives of SOITA member schools or institutions. Twenty-one representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Brown, Butler, Champaign, Clark, Clermont, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members in the State-assigned SOITA service area representative. One at-large higher education representative is elected by higher education SOITA members from within the State-assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2018, the School District paid \$583 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Deb Tschirhart, who serves as Executive Director, at 1205 E. Fifth Street, Dayton, OH 45402.

B. Insurance Purchasing Pools

Ohio Association of School Business Officials Workers' Compensation Southwestern Group Rating Plan - The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (Plan) was established through the Ohio Association of School Business Officials (OASBO) as an insurance purchasing pool. During fiscal year 2018, the School District paid \$3,361 to OASBO.

Shelby County Schools Consortium – The Shelby County Schools Consortium is an insurance purchasing pool among the local school districts Shelby County. The purpose of the Consortium is to achieve more favorable rates for employee insurance by creating a larger pool on which to base the insurance experience. The Consortium acts to provide health/surgical, dental and term-life benefits to its participants at a lower rate than if individual districts acted independently. On January 1, 2018, the School District started a self-funded plan with Jefferson Health Plan.

An administrative committee consisting of the superintendent from each participating school district and the educational service center governs the Consortium. The degree of control exercised by any participating school district is limited to its representation on the committee. Payments for health and dental insurance for fiscal year 2018 was \$948,101. Financial information can be obtained from Larry Lentz CLU, CHFC Pinnacle Advisory Group, 462 Twelve Oaks Trail, Dayton, OH 45434.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 14 - Jointly Governed Organizations and Insurance Purchasing Pools (Continued)

Southwestern Ohio Educational Council Property, Fleet and Liability Insurance Program – The School District participates in the Southwestern Ohio Educational Council Property, Fleet and Liability Program (PFL). The PFL’s business affairs are conducted by a six-member committee consisting of various PFL representatives that are elected by the general assembly. The purpose of the program is to jointly provide or obtain casualty, property, employer liability, general liability, risk management, professional liability, group coverage and other protections for participating school districts. Payments made for insurance for fiscal year 2018 insurance was \$53,782. Financial information can be obtained from Ken Swink, Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

Note 15 – Donor Restricted Endowments

The School District’s private purpose trust funds include donor-restricted endowments. These assets are shown as net position held in trust for scholarships - non-expendable to represent the principal portion of the endowment. The amount of net appreciation in donor-restricted investments that is available for expenditures by the governing body is shown as net position held in trust for scholarships - expendable. State law permits the governing board to appropriate, for purposes consistent with the endowment’s intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowments of the private purpose funds indicate that the interest should be used to provide scholarships.

Note 16 – Budgetary Basis of Accounting

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

- 1.) Outstanding year-end encumbrances are treated as cash disbursements (budgetary) rather than as part of restricted, committed or assigned fund balance (cash basis) and
- 2.) Perspective differences resulting from differences in fund structure.

Cash Basis net change in fund balance	\$91,954
Perspective Differences	(2,146)
Adjustment for Encumbrances	(73,375)
Budget Basis net change in fund balance	\$16,433

Note 17 – Significant Contractual Commitments

The School District had the following contractual commitments at June 30, 2018:

Vendor	Amount	Expended	Balance
Caleb Luthman	\$ 8,000	\$ -	\$ 8,000
Elgin Service Center	49,188	40,305	8,883
Village of Botkins	18,582	4,646	13,936
Smith Boughan, Inc.	13,448	6,724	6,724

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 18 - Contingencies

A. Grants

The School District receives financial assistance from federal and State agencies in the form of grants. Disbursing grant funds generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2018.

B. Litigation

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

C. Foundation Payments

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school district, which can extend past the fiscal year end. The financial statement impact was determined to be immaterial and is not reported as an asset or a liability of the School District. The amount due to the School District at June 30, 2018 was \$3,081.

Note 19 – Tax Abatements

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures, the County is required to disclose certain information about tax abatements as defined in the Statement. For purposes of GASB Statement 77, a tax abatement is a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the local government or its citizens.

Community Reinvestment Area (CRA) Program

The Ohio Community Reinvestment Area program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. Community Reinvestment Areas (CRA) are areas of land in which property owners can receive tax incentives for investing in real property improvements. In order to use the Community Reinvestment program, a city, village, or county petitions to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing has traditionally been discouraged. Once the area is confirmed by the Director of ODSA, communities may offer real property tax exemptions to taxpayers that invest in that area.

Botkins Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2018

Note 19 – Tax Abatements (Continued)

The type of development is determined by specifying the eligibility of residential, commercial and/or industrial projects. The local governments negotiate property tax exemptions on new property tax from investment for up to one hundred percent for up to fifteen years based on the amount of investments made to renovate or construct buildings within a CRA. Taxes are abated as the increase in assessed value resulting from the investment is not included (or included at a lesser amount) in the assessed value used for property tax computation for the taxpayer. For commercial projects, job retention and/or creation is also required. Agreements must be in place before the project begins. Provisions for recapturing property tax exemptions, which can be used at the discretions of the local governments, are pursuant to ORC Section 9.66(C)(1) and 9.66(C)(2).

The Village of Botkins entered into agreements with Platfoot Industrial Properties LLC and Double C Properties LLC. The property taxes foregone by the School District for the abatement program for the year ended December 31, 2017, was \$22,860.

Note 20 – Compliance

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

Note 21 – Change in Accounting Principles

For fiscal year 2018, the School District has implemented Governmental Accounting Standard Board Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits other than Pensions”. This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). See Note 8 for disclosures required by this statement.

For fiscal year 2018, the School District has implemented Governmental Accounting Standard Board Statement No. 82, “Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and no. 73”. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplemental information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of this statement had no effect on the financial statements of the School District.

For fiscal year 2018, the School District has implemented Governmental Accounting Standard Board Statement No. 86, “Certain Debt Extinguishment Issues”. This statement improves the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The implementation of this statement had no effect on the financial statements of the School District.



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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**

Botkins Local School District
Shelby County
404 E. State Street
Botkins, Ohio 45306

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 cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Botkins Local School District, Shelby County, (the School District) as of and for the fiscal years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 22, 2020, wherein we noted the School District uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the 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 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 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.

Compliance and Other Matters

As part of reasonably assuring whether the 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 matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-001.

School District's Response to Finding

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the School District's response to the auditing procedures applied in the audit of the financial statements 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 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 School District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

January 22, 2020

**BOTKINS LOCAL SCHOOL DISTRICT
SHELBY COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2019 AND 2018**

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

FINDING NUMBER 2019-001

Noncompliance

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

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

The School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position, and disclosures that, while presumed material, cannot be determined at this time.

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

Official's Response:

Botkins Local School has decided not to file financial statements according to generally accepted accounting principles (GAAP). The District does prepare an Other Comprehensive Basis of Accounting (OCBOA) report which incorporates the reporting format required by Government Accounting Standards Board Statement No. 34. Board Resolution number 2016-44 gave the fiscal officer permission to prepare OCBOA statements because they are more cost beneficial.

SCHOOL BOARD
 SCOTT BAYLESS
 NEIL BOERGER
 MARK GOUBEUX
 CHRIS MONNIN
 JASON WENDEL

Botkins Local School



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
 JUNE 30, 2019**

Finding Number	Finding Summary	Status	Additional Information
2017-001	Ohio Rev. Code Section 117.28 & Ohio Admin. Code Section 117-2-03(B) – Failed to prepare financial statements in accordance with GAAP. Comment first issued June 30, 2017 audit.	Not addressed or fixed in current audit period.	Repeated as finding 2019-001

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Jeffrey McPheron, SUPERINTENDENT

Ryan Loy, JH/HS PRINCIPAL
 Joanna (Jody) Jones, TREASURER

Christopher Abke, ELEMENTARY PRINCIPAL

OHIO AUDITOR OF STATE KEITH FABER



BOTKINS LOCAL SCHOOL DISTRICT

SHELBY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 25, 2020**