



OHIO AUDITOR OF STATE  
**KEITH FABER**





**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report for the Years Ended June 30, 2018 and June 30, 2017 .....	1
Prepared by Management:	
2018 Financial Statements	
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis .....	3
Statement of Activities – Cash Basis .....	4
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds .....	5
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds .....	6
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Budget and Actual - Budgetary Basis – General Fund .....	7
Statement of Fiduciary Net Position - Cash Basis – Fiduciary Funds .....	8
Statement of Changes in Fiduciary Net Position - Cash Basis – Fiduciary Funds .....	9
Notes to the Basic Financial Statements for June 30, 2018 .....	11
2017 Financial Statements	
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position – Cash Basis .....	45
Statement of Activities – Cash Basis .....	46
Fund Financial Statements:	
Statement of Cash Basis Assets and Fund Balances - Governmental Funds .....	47
Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Basis Fund Balances – Governmental Funds .....	48

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**TABLE OF CONTENTS  
(Continued)**

<b>TITLE</b>	<b>PAGE</b>
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balance - Budget and Actual - Budgetary Basis – General Fund .....	49
Statement of Fiduciary Net Position - Cash Basis – Fiduciary Funds .....	50
Statement of Changes in Fiduciary Net Position - Cash Basis – Fiduciary Funds .....	51
Notes to the Basic Financial Statements for June 30, 2017 .....	53
Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Required by Government Auditing Standards .....	79
Schedule of Findings .....	81
Prepared by Management:	
Summary Schedule of Prior Audit Findings .....	82

# OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza  
130 West Second Street, Suite 2040  
Dayton, Ohio 45402-1502  
(937) 285-6677 or (800) 443-9274

## INDEPENDENT AUDITOR'S REPORT

Arcanum-Butler Local School District  
Darke County  
2011 Trojan Avenue  
Arcanum, Ohio 45304

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 Arcanum-Butler Local School District, Darke County, Ohio (the District), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no 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 Arcanum-Butler Local School District, Darke County, Ohio, as of June 30, 2018 and 2017, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

Ohio Administrative Code § 117-2-03(B) requires the 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 May 24, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State  
Columbus, Ohio

May 24, 2019

**Arcanum-Butler Local School District**  
**Darke County, Ohio**  
*Statement of Net Position - Cash Basis*  
*June 30, 2018*

---

---

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$10,477,050</u>
<i>Total Assets</i>	<u><u>\$10,477,050</u></u>
<b>Net Position</b>	
Restricted for:	
Debt Service	\$1,028,295
Capital Outlay	1,955,389
Set-Asides	2,250
Other Purposes	785,656
Unrestricted	<u>6,705,460</u>
<i>Total Net Position</i>	<u><u>\$10,477,050</u></u>

See accompanying notes to the basic financial statements

**Arcanum-Butler Local School District**  
**Darke County, Ohio**

*Statement of Activities - Cash Basis*  
*For the Fiscal Year Ended June 30, 2018*

	Program Cash Receipts			Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Receipts and Changes in Net Position
			Capital Grants, Contributions, and Interest	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$5,859,236	\$1,270,486	\$9,929	(\$4,578,821)
Special	1,069,498	89,909	621,685	(357,904)
Vocational	93,283		28,628	(64,655)
Other	32,966			(32,966)
Support Services:				
Pupil	835,446		203,844	(631,602)
Instructional Staff	597,771		12,602	(585,169)
Board of Education	70,489			243,533
Administration	860,184			(860,184)
Fiscal	295,865	208,456		(87,409)
Operation and Maintenance of Plant	1,095,025			(1,095,025)
Pupil Transportation	615,188			(615,188)
Central	9,077			(9,077)
Operation of Non-Instructional Services	460,749	121,771	133,655	(205,323)
Extracurricular Activities	526,203	165,703	11,171	(339,329)
Capital Outlay	108,806			(87,670)
Principal Retirement	607,007		21,136	(607,007)
Interest and Fiscal Charges	366,205			(366,205)
Payment to Refunded Bond Escrow Agent	1,000			(1,000)
Totals	<u>\$13,503,998</u>	<u>\$1,856,325</u>	<u>\$1,021,514</u>	<u>\$345,158</u>
				<u>(\$10,281,001)</u>
<b>General Receipts</b>				
				2,511,464
				794,302
				47,904
				2,013,978
				6,101,626
				109,606
				36,055
				1,850
				<u>11,616,785</u>
				(1,243,490)
				92,294
				<u>10,384,756</u>
				<u>\$10,477,050</u>

See accompanying notes to the basic financial statements



**Arcanum-Butler Local School District**  
**Darke County, Ohio**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*June 30, 2018*

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$6,704,962	\$1,028,295	\$1,450,003	\$1,291,540	\$10,474,800
Restricted Asset:					
Equity in Pooled Cash and Cash Equivalents	2,250	0	0	0	2,250
<i>Total Assets</i>	<u>\$6,707,212</u>	<u>\$1,028,295</u>	<u>\$1,450,003</u>	<u>\$1,291,540</u>	<u>\$10,477,050</u>
<b>Fund Balances</b>					
Restricted	2,250	1,028,295	1,450,003	785,656	3,266,204
Committed	0	0	0	505,884	505,884
Assigned	725,009	0	0	0	725,009
Unassigned	5,979,953	0	0	0	5,979,953
<i>Total Fund Balances</i>	<u>\$6,707,212</u>	<u>\$1,028,295</u>	<u>\$1,450,003</u>	<u>\$1,291,540</u>	<u>\$10,477,050</u>

See accompanying notes to the basic financial statements

**Arcanum-Butler Local School District**  
**Darke County, Ohio**

*Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2018*

	General	Bond Retirement	Building	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Property Taxes	\$2,511,464	\$794,302	\$0	\$47,904	\$3,353,670
Income Tax	2,013,978	0	0	0	2,013,978
Intergovernmental	6,372,844	122,600	0	605,645	7,101,089
Interest	109,606	0	8,236	12,103	129,945
Tuition and Fees	1,239,550	0	0	79,753	1,319,303
Customer Sales and Service	0	0	0	120,447	120,447
Extracurricular Activities	21,438	0	0	165,703	187,141
Contributions and Donations	21,279	0	0	518,158	539,437
Rent	2,019	0	0	0	2,019
Miscellaneous	69,481	0	0	3,072	72,553
<i>Total Receipts</i>	<u>12,361,659</u>	<u>916,902</u>	<u>8,236</u>	<u>1,552,785</u>	<u>14,839,582</u>
<b>Disbursements</b>					
Current:					
Instruction:					
Regular	5,736,918	0	0	122,318	5,859,236
Special	863,741	0	0	205,757	1,069,498
Vocational	93,283	0	0	0	93,283
Other	32,966	0	0	0	32,966
Support Services:					
Pupil	631,602	0	0	203,844	835,446
Instructional Staff	584,208	0	0	13,563	597,771
Board of Education	69,812	0	0	677	70,489
Administration	859,524	621	0	39	860,184
Fiscal	277,541	16,887	0	1,437	295,865
Operation and Maintenance of Plant	1,083,604	0	0	11,421	1,095,025
Pupil Transportation	615,188	0	0	0	615,188
Central	9,077	0	0	0	9,077
Operation of Non-instructional Activities	166,779	0	0	293,970	460,749
Extracurricular Activities	339,072	0	0	187,131	526,203
Capital Outlay	108,806	0	0	0	108,806
Principal	87,007	520,000	0	0	607,007
Interest	36,230	329,975	0	0	366,205
Payment to Refunded Bond Escrow Agent	0	1,000	0	0	1,000
<i>Total Disbursements</i>	<u>11,595,358</u>	<u>868,483</u>	<u>0</u>	<u>1,040,157</u>	<u>13,503,998</u>
<i>Excess of Receipts Over Disbursements</i>	<u>766,301</u>	<u>48,419</u>	<u>8,236</u>	<u>512,628</u>	<u>1,335,584</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In	0	0	1,384,486	43,426	1,427,912
Transfers Out	(43,426)	0	0	(1,384,486)	(1,427,912)
Advances In	19,412	0	0	0	19,412
Advances Out	0	0	0	(19,412)	(19,412)
Proceeds from Sale of Capital Assets	200	0	0	0	200
<i>Total Other Financing Sources (Uses)</i>	<u>(23,814)</u>	<u>0</u>	<u>1,384,486</u>	<u>(1,360,472)</u>	<u>200</u>
<b>Extraordinary Item</b>					
Repayment to Ohio Facilities Construction Commission	0	0	0	(1,243,490)	(1,243,490)
<i>Net Change in Fund Balances</i>	<u>742,487</u>	<u>48,419</u>	<u>1,392,722</u>	<u>(2,091,334)</u>	<u>92,294</u>
<i>Fund Balances Beginning of Year - Restated (Note 3)</i>	<u>5,964,725</u>	<u>979,876</u>	<u>57,281</u>	<u>3,382,874</u>	<u>10,384,756</u>
<i>Fund Balances End of Year</i>	<u>\$6,707,212</u>	<u>\$1,028,295</u>	<u>\$1,450,003</u>	<u>\$1,291,540</u>	<u>\$10,477,050</u>

See accompanying notes to the basic financial statements

**Arcanum-Butler Local School District**  
**Darke County, Ohio**

*Statement of Cash Receipts, Cash Disbursements and Changes  
In Fund Cash Balance - Budget and Actual - Budgetary Basis  
General Fund*

*For the Fiscal Year Ended June 30, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$2,558,000	\$2,558,000	\$2,511,464	(\$46,536)
Income Taxes	1,875,000	1,875,000	2,013,978	138,978
Intergovernmental	6,262,000	6,355,000	6,372,844	17,844
Interest	62,000	62,000	109,606	47,606
Tuition and Fees	1,063,000	1,063,000	1,194,384	131,384
Rent	0	0	2,019	2,019
Gifts and Donations	11,000	11,000	11,850	850
Miscellaneous	18,000	18,000	13,769	(4,231)
<i>Total Revenues</i>	11,849,000	11,942,000	12,229,914	287,914
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,663,291	5,788,148	5,691,114	97,034
Special	1,111,656	947,287	863,899	83,388
Vocational	91,942	96,772	94,001	2,771
Other	84,874	42,874	32,966	9,908
Support Services:				
Pupil	334,809	656,908	633,850	23,058
Instructional Staff	637,789	654,949	596,132	58,817
Board of Education	69,871	71,426	70,295	1,131
Administration	834,665	886,171	878,437	7,734
Fiscal	288,072	293,518	284,548	8,970
Operation and Maintenance of Plant	1,194,328	1,212,428	1,168,006	44,422
Pupil Transportation	601,091	679,541	665,440	14,101
Central	1,540	9,914	9,690	224
Operation of Non-Instructional Services	0	168,134	166,779	1,355
Extracurricular Activities	282,370	358,081	353,035	5,046
Capital Outlay	6,875	122,101	114,876	7,225
Debt Service:				
Principal	86,000	86,000	87,007	(1,007)
Interest	36,000	36,000	36,230	(230)
<i>Total Expenditures</i>	11,325,173	12,110,252	11,746,305	363,947
<i>Excess of Revenues Over (Under) Expenditures</i>	523,827	(168,252)	483,609	651,861
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(34,750)	(44,750)	(43,426)	1,324
Advances In	20,000	20,000	19,412	(588)
Advances Out	(19,000)	(19,000)	0	19,000
Proceeds from Sale of Capital Assets	100	100	200	100
Refund of Prior Year Receipts	0	(16,069)	(16,069)	0
Refund of Prior Year Expenditures	40,000	40,000	55,712	15,712
<i>Total Other Financing Sources (Uses)</i>	6,350	(19,719)	15,829	35,548
<i>Net Change in Fund Balance</i>	530,177	(187,971)	499,438	687,409
<i>Fund Balance Beginning of Year</i>	5,625,651	5,625,651	5,625,651	0
Prior Year Encumbrances Appropriated	239,450	239,450	239,450	0
<i>Fund Balance End of Year</i>	\$6,395,278	\$5,677,130	\$6,364,539	\$687,409

See accompanying notes to the basic financial statements

**Arcanum-Butler Local School District**  
**Darke County, Ohio**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2018*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$27,383	\$36,982
Investments in Segregated Accounts	4,192	0
<i>Total Assets</i>	\$31,575	\$36,982
<b>Liabilities</b>		
Undistributed Monies		\$0
Due to Students		36,982
<i>Total Liabilities</i>		\$36,982
<b>Net Position</b>		
Held in Trust for Scholarships	\$31,575	

See accompanying notes to the basic financial statements

**Arcanum-Butler Local School District**  
**Darke County, Ohio**

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

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Gifts and Contributions	\$7,584
Interest	15
Miscellaneous	921
	<u>8,520</u>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>9,671</u>
Change in Net Position	(1,151)
Net Position - Beginning of Year	<u>32,726</u>
Net Position - End of Year	<u><u>\$31,575</u></u>

See accompanying notes to the basic financial statements

This page intentionally left blank.

Arcanum-Butler Local School District  
Darke County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Arcanum-Butler Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution 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 provides educational services as authorized by State statute and federal guidelines.

The School District was originally established in 1885 and consolidated as the Arcanum-Butler Local School District through the consolidation of existing land areas and School Districts. The School District serves an area of approximately 54 square miles. It is located in Darke County, and includes all of the Villages of Arcanum, Ithaca, Gordon, and Castine and portions of Twin, Butler, VanBuren, and Neave Townships. It is staffed by 46 non-certificated employees, 79 certified full-time teaching personnel and 5 administrative employees who provide services to 1,185 students and other community members. The School District currently operates one building which houses all operations of the school.

*Reporting Entity:*

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements 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 Arcanum-Butler Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the District is financially accountable and for which a financial benefit or burden relationship exists. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District is financially accountable for an organization if an organization is fiscally dependent on the District and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on the District regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Component units may also include organizations that do not otherwise meet the criteria for inclusion if it is determined that their exclusion would be misleading. Arcanum-Butler Local School District has no component units.

The School District participates in two jointly governed organizations, three insurance purchasing pools, and a related organization. These organizations are discussed in Notes 11, 12 and 13 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Educational Technology Association  
Southwestern Ohio Educational Purchasing Council

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**  
(continued)

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan  
Southwestern Ohio Educational Purchasing Council Medical Benefits Plan  
Ohio School Plan

Related Organization:

Arcanum Public Library

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Although Ohio Administrative Code Section 117-2-03(B) requires the School District's financial report to follow generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. 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.

**A. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District classifies each fund as either governmental or fiduciary.

*Governmental Fund Types* - The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

*General Fund* - The General Fund is the operating fund of the School District and 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 Fund* - The Bond Retirement Fund accounts for property tax revenues and State exemption reimbursements collected for the payment of general obligation bonded debt.

*Building Fund* - The Building Fund is used to account for the proceeds of debt used to acquire capital facilities including real property.

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



Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Fiduciary Funds:* Fiduciary funds account for cash and investments where the School District is acting as trustee or fiscal agent for other entities or individuals. The School District's fiduciary funds include private-purpose trust funds and agency funds. Trust funds account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's private purpose trust funds account for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature, where the School District deposits and pays cash as directed by another entity or individual. The School District's agency funds account for student activities' cash and presale athletic tournament tickets.

**B. Basis of Presentation**

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

*Government-wide Financial Statement of Net Position and Statement of Activities:* These statements display information about the School District as a whole, except for fiduciary funds. The statements report governmental activities separately from business-type activities. The School District, however, does not have any business-type activities.

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 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 and grants and contributions restricted to meeting the operational or capital requirements of 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 the cash basis or draws from the School District's general receipts.

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

**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 the liability is incurred.

As a result of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed for provided services not yet collected) and certain liabilities (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.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**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 fund and two digit function level within the General Fund and fund level for all other funds as its legal level of control.

The certificate of estimated resources may be amended during the 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 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 years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

**E. Cash, Cash Equivalents and Investments**

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds except the principal amount of the private purpose trust funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Investments of the private purpose trust funds are presented as "Investments in Segregated Accounts" on the financial statements.

The School District invested in non-negotiable certificates of deposit, STAR Ohio, U. S. Treasury Bills, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, mutual funds, and commercial paper during fiscal year 2018. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes.

The District values investments and cash equivalents at cost.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2018 were \$109,606, which includes \$30,920 was assigned to the General Fund from other funds.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

For presentation on the financial statements and in the notes to the basic financial statements, investments with an original maturity of three months or less and those purchased from the cash management pool are deemed cash equivalents. Investments with an initial maturity of more than three months and not purchased from the pool are reported as investments.

**F. Restricted Assets**

Cash and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such restraints are either imposed by creditors, contributors, grantors, laws of other governments or imposed by law through constitutional provisions or other enabling legislation. Restricted cash and investments in the General Fund are amounts restricted for bus purchases.

**G. Inventory**

On the cash basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased.

**H. Prepaid Items**

On the cash basis of accounting, payments made to vendors for services that will benefit periods beyond June 30, 2018, are recorded as disbursements when made.

**I. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**J. Accumulated Leave**

In certain circumstances, such as upon leaving employment, 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.

**K. Pensions/Other Postemployment Benefits (OPEB)**

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 plan. 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 plans report investments at fair value.

**L. Fund Balance**

Fund balance is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The School District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted fund balance is available.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Fund balance is reported as committed when the Board of Education of the School District has placed constraints on the use of resources by resolution.

Fund balance is reported as assigned when the Treasurer has encumbered or otherwise set aside resources not already committed to be used for a specific purpose.

Fund balance is reported as nonspendable when amounts cannot be spent because they are not in spendable form, or legally or contractually required to remain intact.

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

The School District applies committed resources first and then assigned resources when a disbursement is incurred for purposes which committed, assigned and unassigned fund balance is available.

**M. Net Position**

Net position is reported as restricted when there are limitations imposed on its 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 includes 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 is available.

**N. Interfund Activity**

Permanent nonexchange flows of cash 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 on the fund financial statements and eliminated on the district wide statements. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RECLASSIFICATION OF FUND BALANCE**

For the fiscal year ended June 30, 2018, the School District has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The implementation of GASB Statement No. 75 had no impact on fund balance or net position as previously reported at June 30, 2017.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RECLASSIFICATION OF FUND BALANCE** (continued)

Reclassification of fund balance

For fiscal year 2018, the Bond Retirement Fund and the Building Fund were reclassified from nonmajor funds to major funds, and the Classroom Facilities Fund was reclassified from a major fund to other governmental funds because it no longer meets the qualifications of a major fund. The beginning fund balance of other governmental funds was restated \$1,577,918 from \$1,804,956 to \$3,382,874 for this reclassification.

**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits 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 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, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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;

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 4 – DEPOSITS AND INVESTMENTS** (continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
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; and,
7. The State Treasurer's investment pool (STAR Ohio).

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information discloses the risks associated with the School District's deposits and investments as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

At June 30, 2018, the School District had \$300 in undeposited cash on hand.

***A. Deposits***

At June 30, 2018, the book balance of the School District's deposits was \$1,958,690 and the bank balance was \$2,146,468.

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

**NOTE 4 – DEPOSITS AND INVESTMENTS** (continued)

***Custodial Credit Risk***

Of the School District’s \$2,146,468 bank balance, \$233,266 was exposed to custodial credit risk as discussed below, while \$1,912,902 was covered by the Federal Deposit Insurance Corporation (FDIC). Although the securities serving as collateral were held by the pledging financial institution’s trust department in the School District’s name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute.

***B. Investments***

Investment Type	Investment Maturities			
	Carrying Value	Less Than One Year	One to Two Years	Two to Three Years
Commercial Paper	\$1,365,601	\$1,365,601	\$0	\$0
Federal Home Loan Bank	225,000	0	0	225,000
Federal National Mortgage Association	885,000	0	320,000	565,000
United State Treasury Bills	2,430,037	2,430,037	0	0
First American Treasury Obligation Fund	74,907	74,907	0	0
STAR Ohio	3,606,062	3,606,062	0	0
<b>Total</b>	<b>\$8,586,607</b>	<b>\$7,476,607</b>	<b>\$320,000</b>	<b>\$790,000</b>

***Interest Rate Risk:*** State statute limits the maturity of investments to five years unless matched to a specific obligation or debt of the School District. The School District does not have a formal investment policy that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

***Concentration of Credit Risk:*** The School District places no limit on the amount it may invest in any one issuer. 42% of the District’s investments at June 30, 2018 were in STAR Ohio, 28% were in United States Treasury Bills, and 10% were in the Federal National Mortgage Association.

***Credit Risk:*** State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. The School District’s investment in STAR Ohio was rated AAAm by Standards & Poor’s at June 30, 2018. The School District’s investments in the Federal Home Loan Bank and the Federal Home Loan Mortgage Corporation were rated Aaa by Moody’s Investors Service and AA+ by Standard & Poor’s at June 30, 2018. The School District’s investments in commercial paper were rated P-1 by Moody’s Investors Service and A-1 or A-1+ by Standard and Poor’s at June 30, 2018.

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.”

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 4 – DEPOSITS AND INVESTMENTS** (continued)

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 and No. 40 is as follow

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$10,541,415	\$4,192
Petty cash	(300)	0
Investments:		
Commercial Paper	(1,365,601)	1,365,601
Federal Home Loan Bank	(225,000)	225,000
Federal National Mortgage Association	(885,010)	885,000
United States Treasury Bills	(2,430,037)	2,430,037
First American Treasury Obligations Money Market Fund	(74,907)	74,907
STAR Ohio	(3,606,062)	3,606,062
Scholarship CD	4,192	(4,192)
GASB Statement No. 3	\$1,958,690	\$8,586,607

**NOTE 5 - 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 receipts received in calendar 2018 represents collections of calendar year 2017 taxes. Real property taxes received in calendar year 2018 were levied after April 1, 2017, on the assessed value listed as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State law at thirty-five 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 receipts received in calendar 2018 represents collections of calendar year 2017 taxes. Public utility real taxes received in calendar year 2018 became a lien December 31, 2016, were levied after April 1, 2017, and are collected in 2018 with real property taxes. Public utility real property is assessed at thirty-five 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 Darke County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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.



Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 5 - PROPERTY TAXES** (continued)

The assessed values upon which fiscal year 2018 taxes were collected are:

	<u>2017 Second- Half Collections</u>		<u>2018 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/ Residential and Other Real Estate	\$133,370,370	95%	\$130,068,980	94%
Public Utility Personal	7,708,866	5	8,508,980	6
Total	<u>\$141,079,236</u>	<u>100%</u>	<u>\$138,577,960</u>	<u>100%</u>

Tax rate per \$1,000 of  
assessed valuation

\$30.60

\$30.60

**NOTE 6 - INCOME TAX**

As of June 30, 2018, the School District levies a voted tax of a total of one and one half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and 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 receipts to the General Fund during fiscal year 2018 were \$2,013,978.

**NOTE 7 – BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is presented on the budgetary basis to provide meaningful comparison of actual results with the budget. The differences between the budget basis and cash basis are:

- (1) outstanding year-end encumbrances are treated as expenditures (budget) rather than as an assignment of fund balance (cash), and,
- (2) difference in perspective arises from some funds being included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General Fund:

Net Change in Fund Balance	
Cash Basis	\$742,487
Adjustment for Encumbrances	(235,837)
Difference in Perspective	<u>(7,212)</u>
Budgetary Basis	<u>\$499,438</u>

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 8 - 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. During fiscal year 2018, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), an insurance purchasing pool (see Note 12). Each individual participant enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. The School District contracts for general liability, property, and fleet insurance. Coverage provided is as follows:

Buildings and Contents – replacement cost	\$37,602,838
Automobile Liability	1,000,000
Uninsured Motorist	1,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate per member	2,000,000
Sexual misconduct and molestation	
Per Occurrence	1,000,000
Aggregate per member	2,000,000
Errors and Omissions	1,000,000
Employer’s Liability and Stop Gap	
Per Occurrence	1,000,000
Employee Benefit Liability	
Per Occurrence	1,000,000
Aggregate per member	2,000,000
Public Employee Dishonesty	100,000
Umbrella Liability	
Per Occurrence	5,000,000
Aggregate Limit	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the prior year.

**B. Workers’ Compensation**

For fiscal year 2018, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 12). 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 percent of the GRP. A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund”. This “equity pooling fund” 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 Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 8 - RISK MANAGEMENT** (continued)

**C. Employee Medical Benefits**

For fiscal year 2018, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 12). The intent of the MBP 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 MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the MBP. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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.

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.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

***Plan Description - School Employees Retirement System (SERS)***

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](http://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 date, a benefit recipient may be entitled to a cost-of-living adjustment (COLA) up to 2.50% The COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 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 School District's contractually required contribution to SERS was \$193,944 for fiscal year 2018.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

***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](http://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. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 2026, when retirement eligibility for unreduced benefits will be age 60 with 35 years of service or age 65 with five years of service.

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, 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.

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.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased to 14 percent on July 1, 2016. For the fiscal year ended June 30, 2018, plan members were required to contribute 14 percent of their annual covered salary. 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 \$681,567 for 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
Proportionate Share of the Net Pension Liability	\$2,566,144	\$9,675,114	\$12,241,258
Proportion of the Net Pension Liability	.0429496%	.04072838%	

***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.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 9 - 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:

Inflation	3.00 %
Salary increases	3.50 % to 18.20 % including inflation
Investment rate of return	7.50 %, net of investment expenses
Cost-of-living adjustments	2.50 %

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table set back five years for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10-Yr Expected Real Rate of Return</u>
Cash	1.0%	0.50%
U.S. Stocks	22.5%	4.75%
Non-U.S. Stocks	22.5%	7.00%
Fixed Income	19.0%	1.50%
Private Equity	10.0%	8.00%
Real Estate	15.0%	5.00%
Multi-Asset Strategy	10.0%	3.00%
Total	100.0%	

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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.

***Benefit Term Changes Since the Prior Measurement Date***

Effective January 1, 2018, the COLA adjustment was changed from a flat 3.00 percent to a COLA adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent. In addition, the Board has enacted a 3 year COLA suspension for benefit recipients for 2018, 2019, and 2020.

***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$3,561,141	\$2,566,144	\$1,732,631

***Actuarial Assumptions - STRS***

The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	12.50 % at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses
Payroll increases	3.00 %
Cost-of-living adjustments	0 % effective July 1, 2017

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, 90% of rates between ages 80 and 84, and 100% 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% of rates for males and 100% of rates for female, 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.



Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10-Yr Expected Real Rate of Return</u>
Domestic Equity	28%	7.35%
International Equity	23%	7.55%
Alternatives	17%	7.09%
Fixed Income	21%	3.00%
Real Estate	10%	6.00%
Liquidity Reserves	1%	2.25%
Total	100%	

***Discount Rate*** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2017. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.45 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:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
District's proportionate share of the net pension liability	\$13,868,947	\$9,675,114	\$6,142,439

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 10 – DEFINED BENEFIT OPEB PLANS**

***Net OPEB Liability***

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 is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. 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 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 OPEB 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 these estimates 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 OPEB are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including OPEB.

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.

***Plan Description - School Employees Retirement System (SERS)***

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](http://www.ohsers.org) under Employers/Audit Resources.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 10 – 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, .50 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 \$22,716.

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 \$34,573 for fiscal year 2018.

***Plan Description - 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](http://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.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 10 – 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 respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share:

	SERS	STRS	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.03966880%	0.04099132%	
Proportion of the Net OPEB Liability Current Measurement Date	0.04338660%	0.04072838%	
Change in Proportionate Share	0.00371780%	-0.00026294%	
Proportionate Share of the Net OPEB Liability	\$1,164,382	\$1,589,071	\$2,753,453

***Actuarial Assumptions - SERS***

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each 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 terminations). 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.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 10 – DEFINED BENEFIT OPEB PLANS** (continued)

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

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Municipal Bond Index Rate:	
Measurement Date	3.56 percent
Prior Measurement Date	2.92 percent
Single Equivalent Interest Rate, net of plan investment expense, including price inflation	
Measurement Date	3.63 percent
Prior Measurement Date	2.98 percent
Medical Trend Assumption	
Medicare	5.50 to 5.00 percent
Pre-Medicare	7.50 to 5.00 percent

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.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 10 – DEFINED BENEFIT OPEB PLANS** (continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%). Also shown is 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.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 10 – DEFINED BENEFIT OPEB PLANS** (continued)

	1% Decrease (2.63%)	Current Discount Rate (3.63%)	1% Increase (4.63%)
School District's proportionate share of the net OPEB liability	\$1,406,140	\$1,164,382	\$972,849

  

	1% Decrease (6.5 % decreasing to 4.0 %)	Trend Rate (7.5 % decreasing to 5.0 %)	1% Increase (8.5 % decreasing to 6.0 %)
School District's proportionate share of the net OPEB liability	\$944,809	\$1,164,382	\$1,454,991

***Actuarial Assumptions - STRS***

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2017, actuarial valuation are presented below:

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
Payroll Increases	3 percent
Cost-of-Living Adjustments (COLA)	0.0 percent, effective July 1, 2017
Blended Discount Rate of Return	4.13 percent
Health Care Cost Trends	6 to 11 percent initial, 4.5 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.

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.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 10 – DEFINED BENEFIT OPEB PLANS** (continued)

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.

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	 <u>100.00 %</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 actual rate of return, without net value added by management.



Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 10 – DEFINED BENEFIT OPEB PLANS** (continued)

**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.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the net OPEB liability as of June 30, 2017, calculated using the current period discount rate assumption of 4.13 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.13 percent) or one percentage point higher (5.13 percent) than the current assumption. 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	\$2,133,302	\$1,589,071	\$1,158,950
	1% Decrease	Current Trend Rate	1% Increase
School District's proportionate share of the net OPEB liability	\$1,104,018	\$1,589,071	\$2,227,457

**NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Metropolitan Educational Technology Association**

On July 1, 2015, the School District was a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA). On January 1, 2016, MDECA merged with Metropolitan Educational Technology Association (META), which is a computer consortium. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology, and student services, a purchasing cooperative, and other individual services based on each client's needs.

The governing board of META consists of a president, vice-president, and six board members who represent the members of META. The Board works with META's chief executive officer, chief operating officer, and chief financial officer to manage operations and ensure the continued progress of the organization's mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting, and designating management. Each school district's degree of control is limited to its representation on the Board. The School District paid META \$33,280 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer at 100 Executive Drive, Marion, Ohio 43302.

**B. Southwestern Ohio Educational Purchasing Council**

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council 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 did not make any membership payments to the 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, Ohio 45377.

**NOTE 12 - INSURANCE PURCHASING POOLS**

**A. Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan**

The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by an eleven member committee consisting of various GRP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating School Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 12 - INSURANCE PURCHASING POOLS** (continued)

**B. Southwestern Ohio Educational Purchasing Council Medical Benefits Plan**

The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating educational service center or school district serves on the general assembly. Each year, the participating educational service centers and school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

**C. Ohio School Plan**

The School District participates in the Ohio School Plan (OSP, an insurance purchasing pool. The OSP was created and organized pursuant to and authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the sole purpose of enabling members of the OSP to provide for a formalized, jointly administered self-insurance program to maintain adequate self-insurance protection, risk management programs, and other administrative services. The OSP's business and affairs are conducted by a 12 member Board of Directors consisting of school district superintendents and treasurers. The OSP has an agreement with Hylant Administrative Services, LLC to provide underwriting claims management, accounting, system support services, sales, and marketing to the OSP. Hyland Administrative Service, LLC, also coordinates reinsurance brokerage services for the OSP.

**NOTE 13 – RELATED ORGANIZATION**

The Arcanum Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Arcanum-Butler Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely the Board of Trustees. The School District had no financial transactions with the Arcanum Public Library during fiscal year 2018. Financial information can be obtained from the Arcanum Public Library, Deborah Dynes, Clerk/Treasurer, at 101 West North Street, Arcanum, Ohio 45304.

**NOTE 14 - 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 fiscal year-end or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 14 - SET-ASIDE CALCULATIONS** (continued)

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

	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2017	\$0
Current Year Set-aside Requirement	202,070
Current Offsets	(47,904)
Qualifying Disbursements	<u>(154,166)</u>
Set-aside Balances Carried Forward to Future Fiscal Years	\$0
Set-aside Reserve Balances as of June 30, 2018	\$0

The School District had current year offsets and qualifying disbursements during the fiscal year that reduced the capital improvements set-aside below zero. These extra amounts may not be used to reduce the set-aside requirements in future fiscal years.

**NOTE 15 – LONG-TERM OBLIGATIONS**

The changes in the School District’s long-term obligations during fiscal year 2018 were as follows:

	Principal Outstanding 6/30/17	Additions	Deductions	Principal Outstanding 6/30/18
Classroom Facilities Bonds 2008 3.00 – 4.50%	\$125,819	\$0	\$68,084	\$57,735
Classroom Facilities Refunding Bonds 2016 -1.47- 4.00%	<u>10,449,991</u>	<u>0</u>	<u>150,000</u>	<u>10,299,991</u>
Total Long-Term Obligations	<u>\$10,575,810</u>	<u>\$0</u>	<u>\$218,084</u>	<u>* \$10,357,726</u>

\*Deductions do not tie to principal retirement on the financial statements because the capital appreciation bonds that were retired during the fiscal year had a principal issue amount of \$68,084, presented above, but an accreted value at maturity of \$370,000, shown on the financial statements.

*Classroom Facilities General Obligation Bonds* – During 2008, the School District issued bonds in the amount of \$13,039,994 to finance the construction of new school facilities. Of these bonds, \$3,755,000 are serial bonds, with maturity dates of December 1, 2008 to December 1, 2015 and December 1, 2019 to December 1, 2022. \$204,994 of the bonds are capital appreciation bonds, with maturity dates of December 1, 2016, 2017, and 2018. The maturity amount is \$360,000, \$370,000, and \$375,000, respectively. \$3,380,000 are term bonds maturing December 1, 2028, and \$5,700,000 are term bonds maturing December 1, 2035.

*Classroom Facilities General Obligation Advance Refunding Bonds* - During fiscal year 2016, the School District issued \$10,769,991 in general obligation bonds to advance refund the 2008 serial and term bonds. Of the bonds, \$6,830,000 are serial bonds with maturity dates of December 1, 2016 to December 1, 2019, and December 1, 2023 to December 1, 2031, and \$764,991 are capital appreciation bonds with maturity dates of December 1, 2020, 2021, and 2022. The maturity amount is \$540,000 each year. \$1,540,000 are term bonds maturing December 1, 2033, and \$1,635,000 are term bonds maturing December 31, 2035.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 15 – LONG-TERM OBLIGATIONS** (continued)

The proceeds from the refunding bonds were used to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the general obligation bonds. As a result, the refunded bonds are considered to be defeased.

The reacquisition price was higher than the net carrying amount of the old debt by \$1,178,322. This advance refunding resulted in a reduction of total debt service payments of \$1,150,997 and an economic gain (present value of debt service savings) of \$763,474.

The School District’s overall legal debt margin was \$3,142,585 and the unvoted debt margin was \$138,578 at June 30, 2018

Principal and interest requirements to retire the general obligation bonds are as follows:

Fiscal year Ending June 30,	Serial Bonds		Capital Appreciation Bonds		Term Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$150,000	\$230,225	\$57,735	\$317,265	\$0	\$95,250
2020	530,000	222,675	0	0	0	95,250
2021	0	217,374	290,671	249,329	0	95,250
2022	0	217,374	253,406	286,595	0	95,250
2023	0	217,376	220,914	319,085	0	95,250
2024-2028	2,290,000	803,875	0	0	0	476,250
2029-2033	3,390,000	209,488	0	0	0	464,850
2034-2036	0	0	0	0	3,175,000	110,175
Total	<u>\$6,360,000</u>	<u>\$2,118,387</u>	<u>\$822,726</u>	<u>\$1,172,274</u>	<u>\$3,175,000</u>	<u>\$1,527,525</u>

The bonds will be paid from the Bond Retirement Debt Service Fund with property tax revenue.

**NOTE 16 – FINANCING LEASE**

During 2015, the School District entered into a land lease and a leaseback agreement with Greenville National Bank for the purpose of financing the construction, improvement, renovation, furnishment, and equipping of school facilities. The amount financed was \$1,500,000, and the lease carries an interest rate of 2.875 percent. The School District is required to make monthly lease payments of \$10,270, with final payment due January 20, 2030. Principal payments on the lease in fiscal year 2018 totaled \$87,007 in the governmental funds.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 16 – FINANCING LEASE** (continued)

The following is a schedule of the future long-term minimum lease payments required under the lease and the present value of the minimum lease payments as of June 30, 2018:

Fiscal Year Ending June 30,	Governmental Activities Amounts
2019	\$123,237
2020	123,237
2021	123,237
2022	123,237
2023	123,237
2024-2028	616,184
2029	195,125
Total	1,427,494
Less: Amount Representing Interest	(214,756)
Present Value of Net Minimum Lease Payments	\$1,212,738

**NOTE 17 - CONTINGENCIES**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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.

**NOTE 18 - 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, deferred outflows, liabilities, deferred inflows 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.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2018  
(Continued)

**NOTE 19 – FUND BALANCE**

Fund balance of the governmental funds is classified as non-spendable, restricted, committed, assigned, and/or unassigned based on the constraints imposed on the use of the resources.

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2018, were as follows:

Fund Balance	General	Bond Retirement	Building	Other Governmental Funds	Total
<b>Restricted for:</b>					
Bus Purchases	\$2,250				\$2,250
School Construction			\$1,450,003		1,450,003
Facilities Maintenance				\$597,563	597,563
Debt Retirement		\$1,028,295			1,028,295
School Library				6,033	6,033
Special Education				8,782	8,782
Food Service Operations				95,033	95,033
Athletics				76,272	76,272
Local Grants				1,973	1,973
<b>Total Restricted</b>	<u>2,250</u>	<u>1,028,295</u>	<u>1,450,003</u>	<u>785,656</u>	<u>3,266,204</u>
<b>Committed for:</b>					
Multi-purpose Building				505,387	505,387
Preschool				497	497
<b>Total Committed</b>				<u>505,884</u>	<u>505,884</u>
<b>Assigned for:</b>					
Unpaid Obligations	235,706				235,706
Capital Improvements	382,695				382,695
Uniform School Supplies	75,506				75,506
Educational Activities	31,102				31,102
<b>Total Assigned</b>	<u>725,009</u>				<u>725,009</u>
<b>Unassigned</b>	<u>5,979,953</u>			<u>0</u>	<u>5,979,953</u>
<b>Total Fund Balance</b>	<u>\$6,707,212</u>	<u>\$1,028,295</u>	<u>\$1,450,003</u>	<u>\$1,291,540</u>	<u>\$10,477,050</u>

**FUND 20 – EXTRAORDINARY ITEM**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. In fiscal year 2018, the School District reported an extraordinary item in the amount of \$1,243,490, which represented a repayment to the Ohio Facilities Construction Commission (OFCC) arising from the final accounting of the joint local and OFCC project. This payment was mostly due to the School District's receipt of the insurance settlement monies related to the project in fiscal year 2016.

**This page intentionally left blank.**



**Arcanum-Butler Local School District**  
**Darke County, Ohio**  
*Statement of Net Position - Cash Basis*  
*June 30, 2017*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$10,384,757
<i>Total Assets</i>	\$10,384,757
 <b>Net Position</b>	
Restricted for:	
Debt Service	\$979,876
Capital Outlay	2,672,356
Set-Asides	2,250
Other Purposes	767,800
Unrestricted	5,962,475
<i>Total Net Position</i>	\$10,384,757

See accompanying notes to the basic financial statements

**Arcanum-Butler Local School District**

**Darke County, Ohio**

*Statement of Activities - Cash Basis  
For the Fiscal Year Ended June 30, 2017*

	Program Cash Receipts			Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
				Receipts and Changes in Net Position
<b>Governmental Activities</b>				Governmental Activities
Instruction:				
Regular	\$5,566,418	\$1,150,051	\$37,493	(\$4,378,874)
Special	1,438,286	111,154	697,422	(629,710)
Vocational	86,691		42,424	(44,267)
Other	66,152			(66,152)
Support Services:				
Pupil	281,710			(281,710)
Instructional Staff	639,361		18,850	(620,511)
Board of Education	80,476			(80,476)
Administration	810,737			(810,737)
Fiscal	288,815			(288,815)
Operation and Maintenance of Plant	994,094			(994,094)
Pupil Transportation	472,955			(472,955)
Central	814			(814)
Operation of Non-Instructional Services	272,544	144,875	141,158	13,489
Extracurricular Activities	440,017	185,012	10,082	(244,923)
Capital Outlay	1,464,065		3	79,836
Principal Retirement	764,544			(764,544)
Interest and Fiscal Charges	378,821			(378,821)
<b>Totals</b>	<b>\$14,046,500</b>	<b>\$1,591,092</b>	<b>\$947,432</b>	<b>\$79,836</b>
				<b>(\$11,428,140)</b>
		<b>General Receipts</b>		
		Property Taxes Levied for General Purposes		2,485,902
		Property Taxes Levied for Debt Service		797,050
		Property Taxes Levied for Capital Maintenance		47,166
		Income Taxes		1,916,274
		Grants and Entitlements not Restricted to Specific Programs		6,088,412
		Investment Earnings		67,284
		Miscellaneous		19,708
		Gifts and Donations not Restricted to Specific Programs		1,600
		<b>Total General Receipts</b>		<b>11,423,396</b>
		Change in Net Position		(4,744)
		<i>Net Position Beginning of Year</i>		<b>10,389,501</b>
		<i>Net Position End of Year</i>		<b>\$10,384,757</b>

See accompanying notes to the basic financial statements

**Arcanum-Butler Local School District**  
**Darke County, Ohio**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*June 30, 2018*

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$5,962,475	\$2,615,076	\$1,804,956	\$10,382,507
Restricted Asset:				
Equity in Pooled Cash and Cash Equivalents	2,250	0	0	2,250
<i>Total Assets</i>	<u>\$5,964,725</u>	<u>\$2,615,076</u>	<u>\$1,804,956</u>	<u>\$10,384,757</u>
<b>Fund Balances</b>				
Restricted	2,250	2,615,076	1,804,956	4,422,282
Assigned	599,498	0	0	599,498
Unassigned	5,362,977	0	0	5,362,977
<i>Total Fund Balances</i>	<u>\$5,964,725</u>	<u>\$2,615,076</u>	<u>\$1,804,956</u>	<u>\$10,384,757</u>

See accompanying notes to the basic financial statements

**Arcanum-Butler Local School District**  
**Darke County, Ohio**

*Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2017*

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Property Taxes	\$2,485,902	\$0	\$844,216	\$3,330,118
Income Tax	1,916,274	0	0	1,916,274
Intergovernmental	6,380,628	0	649,070	7,029,698
Interest	67,284	14,815	5,852	87,951
Tuition and Fees	1,114,227	0	82,604	1,196,831
Customer Sales and Service	0	0	144,875	144,875
Extracurricular Activities	25,261	0	159,751	185,012
Contributions and Donations	69,553	0	14,697	84,250
Miscellaneous	23,905	0	0	23,905
<i>Total Receipts</i>	<u>12,083,034</u>	<u>14,815</u>	<u>1,901,065</u>	<u>13,998,914</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	5,424,043	0	142,375	5,566,418
Special	1,100,007	0	338,279	1,438,286
Vocational	86,691	0	0	86,691
Other	66,152	0	0	66,152
Support Services:				
Pupil	281,710	0	0	281,710
Instructional Staff	617,292	0	22,069	639,361
Board of Education	80,476	0	0	80,476
Administration	809,848	0	889	810,737
Fiscal	269,799	0	19,016	288,815
Operation and Maintenance of Plant	994,094	0	0	994,094
Pupil Transportation	472,955	0	0	472,955
Central	814	0	0	814
Operation of Non-instructional Activities	0	0	272,544	272,544
Extracurricular Activities	288,076	0	151,941	440,017
Capital Outlay	88,339	1,249,378	126,348	1,464,065
Principal	84,544	0	680,000	764,544
Interest	38,693	0	340,128	378,821
<i>Total Disbursements</i>	<u>10,703,533</u>	<u>1,249,378</u>	<u>2,093,589</u>	<u>14,046,500</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,379,501</u>	<u>(1,234,563)</u>	<u>(192,524)</u>	<u>(47,586)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	0	0	34,765	34,765
Transfers Out	(34,765)	0	0	(34,765)
Advances In	3,283	0	19,412	22,695
Advances Out	(19,412)	0	(3,283)	(22,695)
Proceeds from Sale of Capital Assets	44	0	0	44
Refund of Prior Year Expenditures	42,798	0	0	42,798
<i>Total Other Financing Sources (Uses)</i>	<u>(8,052)</u>	<u>0</u>	<u>50,894</u>	<u>42,842</u>
<i>Net Change in Fund Balances</i>	1,371,449	(1,234,563)	(141,630)	(4,744)
<i>Fund Balances Beginning of Year - Restated (Note 3)</i>	<u>4,593,276</u>	<u>3,849,639</u>	<u>1,946,586</u>	<u>10,389,501</u>
<i>Fund Balances End of Year</i>	<u>\$5,964,725</u>	<u>\$2,615,076</u>	<u>\$1,804,956</u>	<u>\$10,384,757</u>

See accompanying notes to the basic financial statements

**Arcanum-Butler Local School District**  
**Darke County, Ohio**

*Statement of Cash Receipts, Cash Disbursements and Changes  
In Fund Cash Balance - Budget and Actual - Budgetary Basis  
General Fund*

*For the Fiscal Year Ended June 30, 2017*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts</b>				
Property Taxes	\$2,469,562	\$2,469,562	\$2,485,902	\$16,340
Income Taxes	1,857,500	1,857,500	1,916,274	58,774
Intergovernmental	6,121,750	6,121,750	6,380,628	258,878
Tuition and Fees	1,071,500	1,071,500	1,074,626	3,126
Interest	42,000	42,000	67,284	25,284
Rent	400	400	0	(400)
Gifts and Donations	15,000	15,000	61,600	46,600
Miscellaneous	22,500	22,500	23,905	1,405
<i>Total Revenues</i>	<u>11,600,212</u>	<u>11,600,212</u>	<u>12,010,219</u>	<u>410,007</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	5,376,076	5,376,476	5,377,294	(818)
Special	1,121,300	1,150,300	1,083,894	66,406
Vocational	97,716	97,716	86,705	11,011
Other	66,195	66,195	90,529	(24,334)
Support Services:				
Pupil	308,479	308,479	283,803	24,676
Instructional Staff	668,230	668,230	623,722	44,508
Board of Education	78,020	78,020	81,654	(3,634)
Administration	821,853	821,853	815,105	6,748
Fiscal	323,888	323,888	294,055	29,833
Operation and Maintenance of Plant	948,158	998,158	1,095,058	(96,900)
Pupil Transportation	522,914	522,914	500,850	22,064
Central	750	1,150	1,454	(304)
Extracurricular Activities	302,808	302,808	292,576	10,232
Capital Outlay	205,914	205,914	95,214	110,700
Debt Service:				
Principal	84,544	84,544	84,544	0
Interest	38,693	38,693	38,693	0
<i>Total Expenditures</i>	<u>10,965,538</u>	<u>11,045,338</u>	<u>10,845,150</u>	<u>200,188</u>
<i>Excess of Revenues Over Expenditures</i>	<u>634,674</u>	<u>554,874</u>	<u>1,165,069</u>	<u>610,195</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(25,000)	(25,000)	(34,765)	(9,765)
Advances In	3,500	3,500	3,283	(217)
Advances Out	(4,000)	(4,000)	(19,412)	(15,412)
Proceeds from Sale of Capital Assets	1,000	1,000	44	(956)
Refund of Prior Year Expenditures	40,000	40,000	42,798	2,798
<i>Total Other Financing Sources (Uses)</i>	<u>15,500</u>	<u>15,500</u>	<u>(8,052)</u>	<u>(23,552)</u>
<i>Net Change in Fund Balance</i>	650,174	570,374	1,157,017	586,643
<i>Fund Balance Beginning of Year</i>	4,221,876	4,221,876	4,221,876	0
Prior Year Encumbrances Appropriated	246,751	246,751	246,751	0
<i>Fund Balance End of Year</i>	<u>\$5,118,801</u>	<u>\$5,039,001</u>	<u>\$5,625,644</u>	<u>\$586,643</u>

See accompanying notes to the basic financial statements

**Arcanum-Butler Local School District**  
**Darke County, Ohio**  
*Statement of Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*June 30, 2017*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$28,534	\$36,227
Investments in Segregated Accounts	4,192	0
<i>Total Assets</i>	\$32,726	\$36,227
 <b>Liabilities</b>		
Undistributed Monies		\$1,079
Due to Students		35,148
<i>Total Liabilities</i>		\$36,227
 <b>Net Position</b>		
Held in Trust for Scholarships	\$32,726	

See accompanying notes to the basic financial statements

**Arcanum-Butler Local School District**  
**Darke County, Ohio**

*Statement of Changes in Fiduciary Net Position - Cash Basis*  
*Fiduciary Funds*  
*For the Fiscal Year Ended June 30, 2017*

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Gifts and Contributions	\$5,820
Interest	16
Miscellaneous	990
	<u>6,826</u>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	<u>8,875</u>
Change in Net Position	(2,049)
Net Position - Beginning of Year	<u>34,775</u>
Net Position - End of Year	<u><u>\$32,726</u></u>

See accompanying notes to the basic financial statements

This page intentionally left blank.



Arcanum-Butler Local School District  
Darke County, Ohio  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Arcanum-Butler Local School District (the “School District”) is organized under Article VI, Sections 2 and 3 of the Constitution 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 provides educational services as authorized by State statute and federal guidelines.

The School District was originally established in 1885 and consolidated as the Arcanum-Butler Local School District through the consolidation of existing land areas and School Districts. The School District serves an area of approximately 54 square miles. It is located in Darke County, and includes all of the Villages of Arcanum, Ithaca, Gordon, and Castine and portions of Twin, Butler, VanBuren, and Neave Townships. It is staffed by 45 non-certificated employees, 76 certified full-time teaching personnel and 5 administrative employees who provide services to 1,199 students and other community members. The School District currently operates one building which houses all operations of the school.

*Reporting Entity:*

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements 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 Arcanum-Butler Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the District is financially accountable and for which a financial benefit or burden relationship exists. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District. The District is financially accountable for an organization if an organization is fiscally dependent on the District and there is a potential for the organization to provide specific financial benefit to, or impose specific financial burdens on the District regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board. Component units may also include organizations that do not otherwise meet the criteria for inclusion if it is determined that their exclusion would be misleading. Arcanum-Butler Local School District has no component units.

The School District participates in two jointly governed organizations, two insurance purchasing pools, and a related organization. These organizations are discussed in Notes 11, 12 and 13 to the basic financial statements. These organizations are:

Jointly Governed Organizations:

Metropolitan Educational Technology Association  
Southwestern Ohio Educational Purchasing Council

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**  
(continued)

Insurance Purchasing Pools:

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan  
Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

Related Organization:

Arcanum Public Library

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Although Ohio Administrative Code Section 117-2-03(B) requires the School District's financial report to follow generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting. 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.

**A. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The School District classifies each fund as either governmental or fiduciary.

*Governmental Fund Types* - The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other nonexchange transactions as governmental funds. The following are the School District's major governmental funds:

*General Fund* - The General Fund is the operating fund of the School District and 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.

*Classroom Facilities Fund* - The Classroom Facilities Capital Projects Fund accounts for the receipts and expenditures associated with the State's share of the construction of the new school building.

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

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Fiduciary Funds:* Fiduciary funds account for cash and investments where the School District is acting as trustee or fiscal agent for other entities or individuals. The School District's fiduciary funds include private-purpose trust funds and agency funds. Trust funds account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's private purpose trust funds account for programs that provide college scholarships to students after graduation. Agency funds are custodial in nature, where the School District deposits and pays cash as directed by another entity or individual. The School District's agency funds account for student activities' cash and presale athletic tournament tickets.

**B. Basis of Presentation**

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

*Government-wide Financial Statement of Net Position and Statement of Activities:* These statements display information about the School District as a whole, except for fiduciary funds. The statements report governmental activities separately from business-type activities. The School District, however, does not have any business-type activities.

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 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 and grants and contributions restricted to meeting the operational or capital requirements of 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 the cash basis or draws from the School District's general receipts.

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

**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 the liability is incurred.

As a result of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed for provided services not yet collected) and certain liabilities (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.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**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 fund and two digit function level within the General Fund and fund level for all other funds as its legal level of control.

The certificate of estimated resources may be amended during the 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 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 years. The amounts reported as the final budget represent the final appropriation the Board passed during the year.

**E. Cash, Cash Equivalents and Investments**

To improve cash management, cash received by the School District is pooled and invested. Monies for all funds except the principal amount of the private purpose trust funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. Investments of the private purpose trust funds are presented as "Investments in Segregated Accounts" on the financial statements.

The School District invested in non-negotiable certificates of deposit, STAR Ohio, U. S. Treasury Bills, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Farm Credit Bank, mutual funds, and commercial paper during fiscal year 2017. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes.

The District values investments and cash equivalents at cost.

Following Ohio statutes, the Board of Education specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2017 were \$67,284, which includes \$7,140 was assigned to the General Fund from other funds.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

For presentation on the financial statements and in the notes to the basic financial statements, investments with an original maturity of three months or less and those purchased from the cash management pool are deemed cash equivalents. Investments with an initial maturity of more than three months and not purchased from the pool are reported as investments.

**F. Restricted Assets**

Cash and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such restraints are either imposed by creditors, contributors, grantors, laws of other governments or imposed by law through constitutional provisions or other enabling legislation. Restricted cash and investments in the General Fund are amounts restricted for bus purchases.

**G. Inventory**

On the cash basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased.

**H. Prepaid Items**

On the cash basis of accounting, payments made to vendors for services that will benefit periods beyond June 30, 2017, are recorded as disbursements when made.

**I. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**J. Accumulated Leave**

In certain circumstances, such as upon leaving employment, 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.

**K. Fund Balance**

Fund balance is reported as restricted when enabling legislation or creditors, grantors or laws or regulations of other governments have imposed limitations on its use. The School District first applies restricted resources when a disbursement is incurred for purposes for which both restricted and unrestricted fund balance is available.

Fund balance is reported as committed when the Board of Education of the School District has placed constraints on the use of resources by resolution.

Fund balance is reported as assigned when the Treasurer has encumbered or otherwise set aside resources not already committed to be used for a specific purpose.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Fund balance is reported as nonspendable when amounts cannot be spent because they are not in spendable form, or legally or contractually required to remain intact.

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

The School District applies committed resources first and then assigned resources when a disbursement is incurred for purposes which committed, assigned and unassigned fund balance is available.

**L. Pensions**

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

**M. Net Position**

Net position is reported as restricted when there are limitations imposed on its 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 includes 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 is available.

**N. Interfund Activity**

Permanent nonexchange flows of cash 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 on the fund financial statements and eliminated on the district wide statements. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented on the financial statements.

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RECLASSIFICATION OF FUND BALANCE**

For the fiscal year ended June 20, 2017, the School District has implemented GASB Statement No. 77, "Tax Abatement Disclosures." This statement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments and that reduce the reporting government's tax revenues. This statement only affects note disclosure; therefore, the implementation of GASB Statement No. 77 had no impact on fund balance or net position as previously reported at June 30, 2016.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE AND RECLASSIFICATION OF FUND BALANCE**

Reclassification of fund balance

For fiscal year 2017, the Bond Retirement Fund was reclassified from a major fund to other governmental funds because it no longer meets the qualifications of a major fund. The beginning fund balance of other governmental funds was restated \$1,098,422 from \$848,164 to \$1,946,586 for this reclassification.

**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits 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 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, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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;

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 4 – DEPOSITS AND INVESTMENTS** (continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
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; and,
7. The State Treasurer's investment pool (STAR Ohio).

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information discloses the risks associated with the School District's deposits and investments as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

At June 30, 2017, the School District had \$1,300 in undeposited cash on hand.

***A. Deposits***

At June 30, 2017, the book balance of the School District's deposits was \$4,570,731 and the bank balance was \$4,585,548.



**Arcanum Butler Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2017

**NOTE 4 – DEPOSITS AND INVESTMENTS** (continued)

***Custodial Credit Risk***

Of the School District’s \$4,585,548 bank balance, \$1,930,258 was exposed to custodial credit risk as discussed below, while \$2,655,290 was covered by the Federal Deposit Insurance Corporation (FDIC). Although the securities serving as collateral were held by the pledging financial institution’s trust department in the School District’s name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute.

***B. Investments***

Investment Type	Investment Maturities			
	Carrying Value	Less Than One Year	One to Two Years	Two to Three Years
Commercial Paper	\$1,088,356	\$1,088,356	\$0	\$0
Federal Farm Credit Bank	\$209,748	209,748	0	0
Federal Home Loan Bank	225,000	0	0	225,000
Federal National Mortgage Association	974,910	89,910	320,000	565,000
First American Treasury Obligation Fund	9,834	9,834	0	0
STAR Ohio	3,373,831	3,373,831	0	0
Total	<u>\$5,881,679</u>	<u>\$4,771,679</u>	<u>\$320,000</u>	<u>\$790,000</u>

***Interest Rate Risk:*** State statute limits the maturity of investments to five years unless matched to a specific obligation or debt of the School District. The School District does not have a formal investment policy that further limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

***Concentration of Credit Risk:*** The School District places no limit on the amount it may invest in any one issuer. 57% of the District’s investments at June 30, 2017 were in STAR Ohio and 17% were in the Federal National Mortgage Association.

***Credit Risk:*** State statute limits investments in corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The School District has no investment policy that would further limit its investment choices. The School District’s investment in STAR Ohio was rated AAAM by Standards & Poor’s at June 30, 2017. The School District’s investments in the Federal Farm Credit Bank, the Federal Home Loan Bank, and the Federal Home Loan Mortgage Corporation were rated Aaa by Moody’s Investors Service and AA+ by Standard & Poor’s at June 30, 2017. The School District’s investments in commercial paper were rated P-1 by Moody’s Investors Service and A-1 or A-1+ by Standard and Poor’s at June 30, 2017.

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.”

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 4 – DEPOSITS AND INVESTMENTS** (continued)

A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 and No. 40 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$10,449,518	\$4,192
Petty cash	(1,300)	0
Investments:		
Commercial Paper	(1,088,356)	1,088,356
Federal Farm Credit Bank	(209,748)	209,748
Federal Home Loan Bank	(225,000)	225,000
Federal National Mortgage Association	(974,910)	974,910
First American Treasury Obligations Money Market Fund	(9,834)	9,834
STAR Ohio	(3,373,831)	3,373,831
Scholarship CD	4,192	(4,192)
GASB Statement No. 3	\$4,570,731	\$5,881,679

**NOTE 5 - 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 receipts received in calendar 2017 represents collections of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed value listed as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State law at thirty-five 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 receipts received in calendar 2017 represents collections of calendar year 2016 taxes. Public utility real taxes received in calendar year 2017 became a lien December 31, 2015, were levied after April 1, 2016, and are collected in 2017 with real property taxes. Public utility real property is assessed at thirty-five 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 Darke County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 5 - PROPERTY TAXES** (continued)

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

	2016 Second- Half Collections		2017 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$132,413,950	95%	\$133,370,370	95%
Public Utility Personal	6,763,640	5	7,708,866	5
Total	\$139,177,590	100%	\$141,079,236	100%

Tax rate per \$1,000 of  
assessed valuation

\$30.60

\$30.60

**NOTE 6 - INCOME TAX**

As of June 30, 2017, the School District levies a voted tax of a total of one and one half percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1991, and 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 receipts to the General Fund during fiscal year 2017 were \$1,916,274.

**NOTE 7 – BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations and changes in fund balance on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund is presented on the budgetary basis to provide meaningful comparison of actual results with the budget. The differences between the budget basis and cash basis are:

- (1) outstanding year-end encumbrances are treated as expenditures (budget) rather than as an assignment of fund balance (cash), and,
- (2) difference in perspective arises from some funds being included in the general fund (cash basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the General Fund:

Net Change in Fund Balance	
Cash Basis	\$1,371,449
Adjustment for Encumbrances	(239,449)
Difference in Perspective	25,017
Budgetary Basis	\$1,157,017

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 8 - 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. During fiscal year 2017, the School District contracted with the Utica National Insurance Group for general liability, property, and fleet insurance. Coverage provided is as follows:

Buildings and Contents – replacement cost	\$36,548,826
Automobile Liability	1,000,000
Uninsured Motorist	1,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate per member	3,000,000
Sexual misconduct and molestation	
Per Occurrence	1,000,000
Aggregate per member	3,000,000
Errors and Omissions	1,000,000
Employer’s Liability and Stop Gap	
Per Occurrence	1,000,000
Employee Benefit Liability	
Per Occurrence	1,000,000
Aggregate per member	3,000,000
Public Employee Dishonesty	100,000
Umbrella Liability	
Per Occurrence	5,000,000
Aggregate Limit	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from the prior year.

**B. Workers’ Compensation**

For fiscal year 2017, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers’ Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 12). 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 percent of the GRP. A participant will then either receive money from or be required to contribute to the “Equity Pooling Fund”. This “equity pooling fund” 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 Integrated Comp, Inc. provides administrative, cost control, and actuarial services to the GRP.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 8 - RISK MANAGEMENT** (continued)

**C. Employee Medical Benefits**

For fiscal year 2017, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 12). The intent of the MBP 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 MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the MBP. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

**NOTE 9 - DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability is not reported in the accompanying financial statements. The net pension liability has been disclosed below.

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.

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.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

***Plan Description - School Employees Retirement System (SERS)***

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](http://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.

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, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent.

The School District's contractually required contribution to SERS was \$177,180 for fiscal year 2017.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

***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](http://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. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. Members are eligible to retire at age 60 with five year of qualifying service credit, or age 55 with 25 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 2026, when retirement eligibility for unreduced benefits will be age 60 with 35 years of service or age 65 with five years of service.

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, 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.

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.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

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

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

The School District's contractually required contribution to STRS was \$638,024 for fiscal year 2017.

***Net Pension Liability***

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

	SERS	STRS	TOTAL
Proportionate Share of the Net Pension Liability	\$2,903,390	\$13,721,030	\$16,624,420
Proportion of the Net Pension Liability	.0396688%	.04099132%	

***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.



Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 9 - 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, 2016, are presented below:

Inflation	3.00 %
Salary increases	3.50 % to 18.20 % including inflation
Investment rate of return	7.50 %, net of investment expenses
Cost-of-living adjustments	3.00 %

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table set back five years for both men and women. Special mortality tables are used for the period after disability retirement.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10-Yr Expected Real Rate of Return</u>
Cash	1.0%	0.50%
U.S. Stocks	22.5%	4.75%
Non-U.S. Stocks	22.5%	7.00%
Fixed Income	19.0%	1.50%
Private Equity	10.0%	8.00%
Real Estate	15.0%	5.00%
Multi-Asset Strategy	10.0%	3.00%
Total	100.0%	

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

**Discount Rate** The total pension liability was calculated using the discount rate of 7.50 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 (7.50 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 7.50 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 (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$3,843,908	\$2,903,390	\$2,116,138

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	12.25 % at age 20 to 2.75% at age 70
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	2% simple applied as follows: for members retiring before August 1, 2013, 2% per year; for members retiring August 1, 2013, or later, 2% cost-of-living adjustment paid on fifth anniversary of retirement date

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above. Actuarial assumptions used in the June 2016, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 9 - DEFINED BENEFIT PENSION PLANS** (continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10-Yr Expected Real Rate of Return</u>
Domestic Equity	31%	8.00%
International Equity	26%	7.85%
Alternatives	14%	8.00%
Fixed Income	18%	3.75%
Real Estate	10%	6.75%
Liquidity Reserves	1%	3.00%
Total	100%	

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

***Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 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 (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$18,234,134	\$13,721,030	\$9,913,961

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 10 - POSTEMPLOYMENT BENEFITS**

**School Employees Retirement System**

Plan Description - The School District participates in two cost-sharing multiple employer defined benefit OPEB (other post-employment benefits) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan.

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

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code Section 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contributions to the Health Care Fund. For the year ended June 30, 2017, the health care allocation is 0 percent.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS cover payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for health care surcharge. For fiscal year 2017, the minimum compensation level was established at \$23,000. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund.

The School District's contributions for health care, including the surcharge, for the fiscal years ended June 30, 2017, 2016, and 2015 were \$22,734, \$19,786, and \$20,749, respectively. The full amount has been contributed for fiscal year 2015 and 2016. The fiscal year 2017 surcharge has not yet been paid.

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

The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 10 - POSTEMPLOYMENT BENEFITS** (continued)

**State Teachers Retirement System of Ohio**

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://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 monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2017, STRS did not allocate any employer contributions to post-employment health care. The District was not required to contribute to health care for the fiscal years ended June 30, 2017, 2016, and 2015.

**NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Metropolitan Educational Technology Association**

On July 1, 2015, the School District was a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA). On January 1, 2016, MDECA merged with Metropolitan Educational Technology Association (META), which is a computer consortium. META is an educational solutions partner providing services across Ohio. META provides cost-effective fiscal, network, technology, and student services, a purchasing cooperative, and other individual services based on each client’s needs.

The governing board of META consists of a president, vice-president, and six board members who represent the members of META. The Board works with META’s chief executive officer, chief operating officer, and chief financial officer to manage operations and ensure the continued progress of the organization’s mission, vision, and values. The Board exercises total control over the operations of the Association including budgeting, appropriating, contracting, and designating management. Each school district’s degree of control is limited to its representation on the Board. The School District paid META \$34,223 for services provided during the fiscal year. Financial information can be obtained from David Varda, who serves as Chief Financial Officer at 100 Executive Drive, Marion, Ohio 43302.

**B. Southwestern Ohio Educational Purchasing Council**

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council 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.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 11 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

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 2017, the School District did not make any membership payments to the 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, Ohio 45377.

**NOTE 12 - INSURANCE PURCHASING POOLS**

**A. Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan**

The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP). The GRP's business and affairs are conducted by an eleven member committee consisting of various GRP representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating school district serves on the general assembly. Each fiscal year, the participating School Districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**B. Southwestern Ohio Educational Purchasing Council Medical Benefits Plan**

The School District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or treasurer from each participating educational service center or school district serves on the general assembly. Each year, the participating educational service centers and school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

**NOTE 13 – RELATED ORGANIZATION**

The Arcanum Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Arcanum-Butler Local School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the School District for operational subsidies. Although the School District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely the Board of Trustees. The School District had no financial transactions with the Arcanum Public Library during fiscal year 2017. Financial information can be obtained from the Arcanum Public Library, Deborah Dynes, Clerk/Treasurer, at 101 West North Street, Arcanum, Ohio 45304.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 14 - 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 fiscal year-end or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

	<u>Capital Acquisition</u>
Set-aside Reserve Balance as of June 30, 2016	\$0
Current Year Set-aside Requirement	193,875
Current Offsets	(47,166)
Qualifying Disbursements	<u>(146,709)</u>
Set-aside Balances Carried Forward to Future Fiscal Years	\$0
Set-aside Reserve Balances as of June 30, 2017	\$0

The School District had current year offsets and qualifying disbursements during the fiscal year that reduced the capital improvements set-aside below zero. These extra amounts may not be used to reduce the set-aside requirements in future fiscal years.

**NOTE 15 – LONG-TERM OBLIGATIONS**

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

	Principal Outstanding 6/30/16	Additions	Deductions	Principal Outstanding 6/30/17
Classroom Facilities Bonds 2008 3.00 – 4.50%	\$204,994	\$0	\$79,175	\$125,819
Classroom Facilities Refunding Bonds 2016 -1.47- 4.00%	<u>10,769,991</u>	<u>0</u>	<u>320,000</u>	<u>10,449,991</u>
Total Long-Term Obligations	<u>\$10,974,985</u>	<u>\$0</u>	<u>\$399,175</u>	<u>* \$10,575,810</u>

\*Deductions do not tie to principal retirement on the financial statements because the capital appreciation bonds that were retired during the fiscal year had a principal issue amount of \$79,175, presented above, but an accreted value at maturity of \$360,000, shown on the financial statements.

*Classroom Facilities General Obligation Bonds* – During 2008, the School District issued bonds in the amount of \$13,039,994 to finance the construction of new school facilities. Of these bonds, \$3,755,000 are serial bonds, with maturity dates of December 1, 2008 to December 1, 2015 and December 1, 2019 to December 1, 2022. \$204,994 of the bonds are capital appreciation bonds, with maturity dates of December 1, 2016, 2017, and 2018. The maturity amount is \$360,000, \$370,000, and \$375,000, respectively. \$3,380,000 are term bonds maturing December 1, 2028, and \$5,700,000 are term bonds maturing December 1, 2035.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 15 – LONG-TERM OBLIGATIONS** (continued)

*Classroom Facilities General Obligation Advance Refunding Bonds* - During fiscal year 2016, the School District issued \$10,769,991 in general obligation bonds to advance refund the 2008 serial and term bonds. Of the bonds, \$6,830,000 are serial bonds with maturity dates of December 1, 2016 to December 1, 2019, and December 1, 2023 to December 1, 2031, and \$764,991 are capital appreciation bonds with maturity dates of December 1, 2020, 2021, and 2022. The maturity amount is \$540,000 each year. \$1,540,000 are term bonds maturing December 1, 2033, and \$1,635,000 are term bonds maturing December 31, 2035.

The proceeds from the refunding bonds were used to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the general obligation bonds. As a result, the refunded bonds are considered to be defeased.

The reacquisition price was higher than the net carrying amount of the old debt by \$1,178,322. This advance refunding resulted in a reduction of total debt service payments of \$1,150,997 and an economic gain (present value of debt service savings) of \$763,474.

The School District's overall legal debt margin was \$3,101,196 and the unvoted debt margin was \$141,079 at June 30, 2017.

Principal and interest requirements to retire the general obligation bonds are as follows:

Fiscal year Ending June 30,	Serial Bonds		Capital Appreciation Bonds		Term Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$150,000	\$234,725	\$68,084	\$301,916	\$0	\$95,250
2019	150,000	230,225	57,735	317,265	0	95,250
2020	530,000	222,675	0	0	0	95,250
2021	0	217,374	290,671	249,329	0	95,250
2022	0	217,374	253,406	286,595	0	95,250
2023-2027	2,290,000	908,272	220,914	319,085	0	476,250
2028-2032	3,390,000	334,062	0	0	0	476,250
2033-2036	0	0	0	0	3,175,000	194,025
Total	<u>\$6,510,000</u>	<u>\$2,364,707</u>	<u>\$890,810</u>	<u>\$1,474,190</u>	<u>\$3,175,000</u>	<u>\$1,622,775</u>

The bonds will be paid from the Bond Retirement Debt Service Fund with property tax revenue.



Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 16 – FINANCING LEASE**

During 2015, the School District entered into a land lease and a leaseback agreement with Greenville National Bank for the purpose of financing the construction, improvement, renovation, furnishment, and equipping of school facilities. The amount financed was \$1,500,000, and the lease carries an interest rate of 2.875 percent. The School District is required to make monthly lease payments of \$10,270, with final payment due January 20, 2030. Principal payments on the lease in fiscal year 2017 totaled \$84,544 in the governmental funds.

The following is a schedule of the future long-term minimum lease payments required under the lease and the present value of the minimum lease payments as of June 30, 2017:

Fiscal Year Ending June 30,	Governmental Activities Amounts
2018	\$123,237
2019	123,237
2020	123,237
2021	123,237
2022	123,237
2023-2027	616,184
2028-2029	318,362
Total	1,550,731
Less: Amount Representing Interest	(250,986)
Present Value of Net Minimum Lease Payments	\$1,299,745

**NOTE 17 - CONTINGENCIES**

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

**NOTE 18 - 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, deferred outflows, liabilities, deferred inflows 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.

Arcanum-Butler Local School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2017  
(Continued)

**NOTE 19 – FUND BALANCE/**

Fund balance of the governmental funds is classified as non-spendable, restricted, committed, assigned, and/or unassigned based on the constraints imposed on the use of the resources.

The constraints placed on fund balance for the major governmental funds and all other governmental funds at June 30, 2017, were as follows:

<u>Fund Balance</u>	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Restricted for:</b>				
Bus Purchases	\$2,250			\$2,250
School Construction		\$2,615,076	\$57,281	2,672,357
Facilities Maintenance			534,535	534,535
Debt Retirement			979,876	979,876
School Library			6,030	6,030
Special Education			3,650	3,650
Network Connectivity			964	964
Food Service Operations			133,577	133,577
Athletics			87,570	87,570
Local Grants			1,473	1,473
<b>Total Restricted</b>	<u>2,250</u>	<u>2,615,076</u>	<u>1,804,956</u>	<u>4,422,282</u>
<b>Assigned for:</b>				
Unpaid Obligations	228,074			228,074
Capital Improvements	272,025			272,025
Uniform School Supplies	67,916			67,916
Educational Activities	31,483			31,483
<b>Total Assigned</b>	<u>599,498</u>			<u>599,498</u>
<b>Unassigned</b>	<u>5,362,977</u>		<u>0</u>	<u>5,362,977</u>
<b>Total Fund Balance</b>	<u>\$5,964,725</u>	<u>\$2,615,076</u>	<u>\$1,804,956</u>	<u>\$10,384,757</u>

# OHIO AUDITOR OF STATE KEITH FABER



One First National Plaza  
130 West Second Street, Suite 2040  
Dayton, Ohio 45402-1502  
(937) 285-6677 or (800) 443-9274

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

Arcanum-Butler Local School District  
Darke County  
2011 Trojan Avenue  
Arcanum, Ohio 45304

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 Arcanum-Butler Local School District, Darke County (the District) as of and for the fiscal years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 24, 2019, wherein we noted the 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 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 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 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 2018-001.

***District's Response to Finding***

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the 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 District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State  
Columbus, Ohio

May 24, 2019

**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT  
DARKE COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2018 AND 2017**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2018-001**

**NONCOMPLIANCE**

**Ohio Rev. Code § 117.38** provides, in part, 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 further clarifies the requirements of Ohio Revised Code § 117.38.

**Ohio Admin. Code § 117-2-03(B)** requires the District to file its annual financial report which is prepared using generally accepted accounting principles (GAAP). However, the District prepared its financial statements on a cash basis 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 District can be fined and various other administrative remedies may be taken against the District for its failure to file the required financial report. Failure to report on a GAAP basis compromises the District's ability to evaluate and monitor the overall financial condition of the District. To help provide the users with more meaningful financial statements, the District should prepare its annual financial report in accordance with generally accepted accounting principles.

**Officials' Response:**

On September 20, 2004, the Board of Education unanimously agreed to approve filing on OCBOA 34 (other comprehensive basis of accounting) cash basis year-end report beginning with the fiscal year 2004 filing period. Due to the continuous pressure to minimize cost under the current school funding system, the Board of Education has agreed that costs associated with generating and auditing the reports on a GAAP basis far exceeds the benefits received by filing GAAP financial reports.

# Arcanum-Butler Local Schools



## Administration

Mr. John N. Stephens, Superintendent  
 Mrs. Brenda S. Hale, Treasurer  
 Mr. Jason R. Stephan, HS Principal  
 Mr. Jason L. V111ce, MS Principal  
 Mrs. Joni L. Pechie, EL Principal

## Board Members

Mr. Ed Evannan, President  
 Mr. Kely Norris, Vice President  
 Mrs. Beverly Delk  
 Mr. Eric Moore  
 Mr. Marx Trask

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS JUNE 30, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	ORC Section 117.38 and OAC Section 117-2-03(8) - The School District is required to prepare a GAAP report, but instead prepared a report in accordance with the cash accounting basis for fiscal years 2016 and 2015. This finding was first reported for fiscal years 2005 and 2004.	Not corrected	On September 20, 2004, the Board of Education unanimously agreed to approve filing on OCBOA 34 (other comprehensive basis of accounting) cash basis year-end report beginning with the fiscal year 2004 filing period. Due to the continuous pressure to minimize cost under the current school funding system, the Board of Education has agreed that costs associated with generating and auditing the reports on a GAAP basis far exceeds the benefits received by filing GAAP financial reports.
2016-002	The School District failed to properly report Uniform School Supplies Fund activity in accordance with Governmental Accounting Standards Board (GASB) 54.	Corrective Action Taken and Finding is Fully Corrected	N/A

2011 Trojan Ave.  
 Arcanum OH 45304

Phone: 937-692-5174  
 Fax: 937-692-5959  
[www.arcanum-butler.k12oh.us](http://www.arcanum-butler.k12oh.us)

# OHIO AUDITOR OF STATE KEITH FABER



**ARCANUM-BUTLER LOCAL SCHOOL DISTRICT**

**DARKE 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  
JUNE 18, 2019**