

BATAVIA LOCAL SCHOOL DISTRICT
CLERMONT COUNTY, OHIO

SINGLE AUDIT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Education
Batavia Local School District
800 Bauer Avenue
Batavia, Ohio 45103

We have reviewed the *Independent Auditor's Report* of the Batavia Local School District, Clermont County, prepared by Julian & Grube, Inc., for the audit period July 1, 2019 through June 30, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

April 28, 2021

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

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Independent Auditor's Report

Batavia Local School District
Clermont County
800 Bauer Avenue
Batavia, Ohio 45103

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Batavia Local School District, Clermont County, Ohio, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Batavia Local School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Batavia Local School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Batavia Local School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Batavia Local School District, Clermont County, Ohio, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 5 to the financial statements, in 2020, a full reappraisal was done on the Batavia Local School District's capital assets, which required a prior period restatement to reflect certain adjustments to the Batavia Local School District's accounting records. Also, as described in Note 19 to the financial statements, a prior period restatement was required to reclassify locally funded initiatives activity under the Ohio Classroom Facilities Assistance Program from the Classroom Facilities Fund to the Building Fund and Bond Anticipation Note premiums were reclassified from the Classroom Facilities Fund to the Debt Service Fund. Additionally, as disclosed in Note 20 to the financial statements, in 2020, the Batavia Local School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. Furthermore, as discussed in Note 21 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Batavia Local School District. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, required budgetary comparison schedule, *schedules of net pension and other postemployment benefit assets and liabilities and pension and other postemployment benefit contributions* listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Batavia Local School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2021, on our consideration of the Batavia Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Batavia Local School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Batavia Local School District's internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
March 29, 2021

**BATAVIA LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
YEAR ENDED JUNE 30, 2020**

This discussion and analysis provides key information from management highlighting the overall financial performance of the Batavia Local School District for the year ended June 30, 2020. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the School District's financial statements.

Financial Highlights

Major financial highlights for fiscal year 2020 are listed below:

- ✓ The assets and deferred outflows of resources of the School District exceeded its liabilities and deferred inflows of resources at fiscal year-end by \$38.0 million.
- ✓ In total, net position increased by approximately \$38.1 million.
- ✓ The School District had \$30.3 million in total expenses; only \$4.2 million of these expenses were offset by program specific charges for services, grants or contributions. General revenue of \$64.2 million, made up primarily of property taxes and State funding provided the majority of funding for these programs.
- ✓ The General Fund's fund balance increased by \$323,178 from a balance of \$3,613,328 at June 30, 2019 to a balance of \$3,936,506 at June 30, 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

BATAVIA LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2020
Unaudited

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the School District's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the School District's assets, liabilities and deferred outflows and inflows of resources, with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g. uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

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

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

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

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

BATAVIA LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2020
Unaudited

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A. Net position at year-end

The following table presents a condensed summary of the School District's overall financial position at June 30, 2020 and 2019:

	Governmental		Business-Type		Total	
	Activities		Activities			
	FY20	Restated FY19	FY20	Restated FY19	FY20	Restated FY19
Current and other assets	\$ 85,838,786	28,352,185	137,895	183,351	85,976,681	28,535,536
Capital assets	24,734,705	22,380,071	100,098	119,779	24,834,803	22,499,850
Total assets	<u>110,573,491</u>	<u>50,732,256</u>	<u>237,993</u>	<u>303,130</u>	<u>110,811,484</u>	<u>51,035,386</u>
Deferred outflows of resources	<u>5,848,154</u>	<u>8,157,292</u>	<u>208,791</u>	<u>317,292</u>	<u>6,056,945</u>	<u>8,474,584</u>
Long-term liabilities:						
Net pension liability	21,089,631	21,746,073	561,159	636,368	21,650,790	22,382,441
Net OPEB liability	1,727,353	2,249,196	235,548	306,708	1,962,901	2,555,904
Other long-term amounts	38,884,404	19,261,911	15,551	15,429	38,899,955	19,277,340
Other liabilities	<u>2,541,445</u>	<u>2,089,059</u>	<u>65,308</u>	<u>41,350</u>	<u>2,606,753</u>	<u>2,130,409</u>
Total liabilities	<u>64,242,833</u>	<u>45,346,239</u>	<u>877,566</u>	<u>999,855</u>	<u>65,120,399</u>	<u>46,346,094</u>
Deferred inflows of resources	<u>13,574,775</u>	<u>13,140,115</u>	<u>196,727</u>	<u>103,257</u>	<u>13,771,502</u>	<u>13,243,372</u>
Net position:						
Net investment in capital assets	5,869,571	9,748,334	100,098	119,779	5,969,669	9,868,113
Restricted:						
For capital purposes	40,960,297	36,973	-	-	40,960,297	36,973
For debt service	8,280,692	6,162,373	-	-	8,280,692	6,162,373
Other purposes	574,849	537,529	-	-	574,849	537,529
Unrestricted (deficit)	<u>(17,081,372)</u>	<u>(16,082,015)</u>	<u>(727,607)</u>	<u>(602,469)</u>	<u>(17,808,979)</u>	<u>(16,684,484)</u>
Total net position	\$ <u>38,604,037</u>	<u>403,194</u>	<u>(627,509)</u>	<u>(482,690)</u>	<u>37,976,528</u>	<u>(79,496)</u>

The net pension liability is reported pursuant to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. The net other postemployment benefits (OPEB) asset and liability are reported pursuant to GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and net OPEB liability to the reported net position and subtracting the net OPEB asset and deferred outflows related to pension and OPEB.

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Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Prior accounting for pensions (GASB Statement No. 27) and OPEB (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB Statement Nos. 68 and 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio statewide pension and OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

As required by GASB Statement Nos. 68 and 75, the required net pension liability, the net OPEB liability and the net OPEB asset equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension and OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement systems are responsible for the administration of the pension and OPEB plans.

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Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e., sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension or net OPEB liabilities. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible part for the unfunded portion. Due to the unique nature of how the net pension and net OPEB liabilities are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement Nos. 68 and 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

One of the largest portions of the School District's positive net position is in net investment in capital assets (\$6.0 million). The School District uses these capital assets to provide educational services to its students. Accordingly, these assets are not available for future spending. An additional portion of the School District's net position (\$49.8 million) represents resources that are subject to external restrictions on how they may be used.

The unrestricted net position (deficit) at June 30, 2020 was (\$17.8 million). However, if the components of recording the net pension and OPEB liabilities are removed from the Statement of Net Position, the School District's unrestricted net position would be a positive \$2.7 million. We feel this is important to mention as the management of the School District has no control over the management of the State-wide retirement plans or the benefits offered; both of which control the net pension and OPEB liabilities and the net OPEB asset that significantly impact the School District's financial statements.

Total assets increased by approximately \$61.2 million during the fiscal year. The increase was attributable to the issuance of \$23.1 million in school improvement bonds issued to finance the local share of the Ohio Facilities Construction Commission (OFCC) projects. The projects include athletic facility renovations and construction of a new high school and a new middle school in the Bulldog Place campus, and re-purposing of the existing high school into a multi-use community space that will include the Board of Education offices. The projects just got underway and much of the bond proceeds remain unspent as of June 30, 2020. Additionally, the School District has \$37.6 million in an intergovernmental receivable for the state's share of the OFCC projects.

Total liabilities increased by about \$18.8 million during the fiscal year. The increase is primarily due to the issuance of the \$23.1 million in school improvement bonds discussed above.

BATAVIA LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
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B. Governmental and Business-type Activities during fiscal year 2020

The following table presents a condensed summary of the School District's activities during fiscal year 2020 and 2019 and the resulting change in net position:

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>FY20</u>	<u>Restated</u> <u>FY19</u>	<u>FY20</u>	<u>Restated</u> <u>FY19</u>	<u>FY20</u>	<u>Restated</u> <u>FY19</u>
Revenues:						
Program revenues:						
Charges for services and sales	\$ 1,260,119	857,726	375,554	435,110	1,635,673	1,292,836
Operating grants and contributions	1,854,950	1,384,314	665,050	623,771	2,520,000	2,008,085
Total program revenues	<u>3,115,069</u>	<u>2,242,040</u>	<u>1,040,604</u>	<u>1,058,881</u>	<u>4,155,673</u>	<u>3,300,921</u>
General revenues:						
Property taxes	10,627,453	10,522,764	-	-	10,627,453	10,522,764
Payments in lieu of taxes	2,011,993	2,014,851	-	-	2,011,993	2,014,851
Grants and entitlements	50,702,327	13,095,447	-	-	50,702,327	13,095,447
Investment earnings	338,337	177,980	-	-	338,337	177,980
Miscellaneous	550,865	838,306	-	-	550,865	838,306
Total general revenues	<u>64,230,975</u>	<u>26,649,348</u>	<u>-</u>	<u>-</u>	<u>64,230,975</u>	<u>26,649,348</u>
Total revenues	<u>67,346,044</u>	<u>28,891,388</u>	<u>1,040,604</u>	<u>1,058,881</u>	<u>68,386,648</u>	<u>29,950,269</u>
Expenses:						
Instruction	19,520,589	15,791,182	-	-	19,520,589	15,791,182
Support services:						
Pupil	468,317	352,692	-	-	468,317	352,692
Instructional staff	192,569	167,987	-	-	192,569	167,987
Board of Education	229,545	271,420	-	-	229,545	271,420
Administration	1,812,711	1,176,078	-	-	1,812,711	1,176,078
Fiscal	706,476	795,475	-	-	706,476	795,475
Operation and maintenance of plant	2,451,784	1,535,382	-	-	2,451,784	1,535,382
Pupil transportation	1,716,306	1,913,178	-	-	1,716,306	1,913,178
Central	147,551	147,704	-	-	147,551	147,704
Non-instructional services	503,480	438,445	-	-	503,480	438,445
Interest and fiscal charges	1,366,120	613,807	-	-	1,366,120	613,807
Food services	-	-	1,119,225	975,200	1,119,225	975,200
Uniform school supplies	-	-	95,951	116,429	95,951	116,429
Total expenses	<u>29,115,448</u>	<u>23,203,350</u>	<u>1,215,176</u>	<u>1,091,629</u>	<u>30,330,624</u>	<u>24,294,979</u>
Transfers	(29,753)	-	29,753	-	-	-
Change in net position	38,200,843	5,688,038	(144,819)	(32,748)	38,056,024	5,655,290
Beginning net position	403,194	(5,284,844)	(482,690)	(449,942)	(79,496)	(5,734,786)
Ending net position	<u>\$ 38,604,037</u>	<u>403,194</u>	<u>(627,509)</u>	<u>(482,690)</u>	<u>37,976,528</u>	<u>(79,496)</u>

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Of the total governmental activities revenues of \$67,346,044, \$3,115,069 (5%) is from program revenue. This means that the government relies on general revenues to fund much of the cost of services provided to the citizens. Of those general revenues, 17% (\$10,627,453) comes from property tax levies and 79% (\$50,702,327) comes from state funding. The School District's operations are reliant upon its property tax levy and the state's foundation program.

Total revenue increased by about \$38.4 million. The increase is primarily due to recognizing the state's share of the OFCC projects funding.

Total expenses increased by \$6.0 million. Approximately \$3.0 million of this increase is related to changes in pension and OPEB expenses; experiencing an increase of approximately \$845,000 in pension expenses and a decrease of \$2.2 million in *negative* OPEB expenses. The financial performance of the state-wide retirement systems can vary significantly between years due to investment market fluctuations, changes in assumptions and differences in actuarial experience, all of which are beyond the control of the School District's management. The remaining increase of \$3.0 million was due to additional personnel, 2% wage raises, salary step increases, 14% increase in health insurance, and increases in maintenance and repair costs.

Governmental Activities

The following table presents the total cost of each of the government's primary services, and the comparative net cost after deducting the revenues generated by each function. Approximately 11% of the cost of the general government programs was recouped in program revenues.

Instruction costs were \$19,520,589, but program revenue contributed to fund 14% of those costs. Thus, general revenues of \$16,706,280 were needed to support of remainder of the instruction costs.

		Governmental Activities			
		Total Cost	Program	Revenues	Net Cost
		of Services	Revenue	as a % of	of Services
		<u> </u>	<u> </u>	<u>Total Costs</u>	<u> </u>
Instruction	\$	19,520,589	2,814,309	14%	16,706,280
Support services		7,725,259	128,518	2%	7,596,741
Non-instructional services		503,480	172,242	34%	331,238
Interest and fiscal charges		<u>1,366,120</u>	<u>-</u>	0%	<u>1,366,120</u>
Total	\$	<u><u>29,115,448</u></u>	<u><u>3,115,069</u></u>	<u><u>11%</u></u>	<u><u>26,000,379</u></u>

Business-type Activities

Net position of the business-type activities decreased by \$144,819, compared to the decrease of \$32,748 in the prior fiscal year, primarily driven by the increase in pension and OPEB expenses discussed above.

BATAVIA LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2020
Unaudited

The following table presents the total cost of each of the School District's business segments and the net cost after deducting the revenues generated by each segment.

	Business-type Activities			
	Total Cost of Services	Program Revenue	Revenues as a % of Total Costs	Net Cost (Revenue) of Services
Food services	\$ 1,119,225	905,662	81%	213,563
School supplies	<u>95,951</u>	<u>134,942</u>	141%	<u>(38,991)</u>
Total	\$ <u>1,215,176</u>	<u>1,040,604</u>	<u>86%</u>	<u>174,572</u>

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S INDIVIDUAL FUNDS

Governmental funds

The School District has four major governmental funds: the General Fund, the Debt Service Fund, the Building Fund and the Classroom Facilities Fund. Assets of these four funds comprised 97% (\$82,476,448) of the total \$84,844,901 governmental fund assets.

General Fund. Fund balance at June 30, 2020 was \$3,936,506, an increase of \$323,178 from the prior fiscal year. This is a decrease from last year's increase of \$1,735,782. This was due to decreases in intergovernmental revenue, as the state cut school foundation funding due to budget cuts at the state level in response to the impact of the COVID-19 pandemic, increases in salaries and health insurance costs, and an increase in transfers to fund capital outlay.

Debt Service Fund. Fund balance at June 30, 2020 was \$8,547,200. The Debt Service Fund is used to accumulate resources to pay general obligation bonds. The required bond payments were made as scheduled during the current fiscal year. The fund's cash balance at year-end is adequate to make the required debt payments for the year ended June 30, 2020.

Building Fund. Fund balance at June 30, 2020 was \$9,976,179. The Building Fund is used to account for the locally funded initiatives under the Ohio Classroom Facilities Assistance Program.

Classroom Facilities Fund. Fund balance at June 30, 2020 was \$11,207,531. The Classroom Facilities Fund is used to account for the high school and middle school buildings, along with various other campus renovations and improvements under the Ohio Classroom Facilities Assistance Program.

BATAVIA LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2020
Unaudited

Proprietary funds

Food Service Fund. This fund was established to account for the School District's cafeteria operations. The fund experienced a decrease of \$183,810, due to changes in pension and OPEB expenses, as previously discussed.

GENERAL FUND BUDGETARY HIGHLIGHTS

The schedule comparing the School District's original and final budgets and actual results is included in the required supplementary information. During fiscal year 2020, the School District amended its General Fund budget with Clermont County as changes occurred in School District revenues and expenditures.

The original revenue budget was decreased by 11% to account for less tax and tax-related intergovernmental revenues. Actual revenue came in slightly higher due to conservative budgeting. Actual expenditures and transfers came in \$50,258 under budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets

At June 30, 2020, the School District had invested in a broad range of capital assets, including land, construction in progress, buildings, equipment and vehicles. The School District had a full appraisal done, requiring adjustments to beginning balances. See Note 5 to the financial statements for more detail.

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

		Governmental Activities		Business-Type Activities		Total	
		<i>Restated</i>		<i>Restated</i>		<i>Restated</i>	
		<u>FY20</u>	<u>FY19</u>	<u>FY20</u>	<u>FY19</u>	<u>FY20</u>	<u>FY19</u>
Land	\$	1,035,700	1,035,700	-	-	1,035,700	1,035,700
Construction in progress		407,761	446,487	-	-	407,761	446,487
Land improvements		4,456,538	1,590,651	-	-	4,456,538	1,590,651
Buildings and improvements		18,439,592	19,035,637	-	-	18,439,592	19,035,637
Equipment and furniture		167,765	188,436	100,098	119,779	267,863	308,215
Vehicles		227,349	83,160	-	-	227,349	83,160
Total	\$	<u>24,734,705</u>	<u>22,380,071</u>	<u>100,098</u>	<u>119,779</u>	<u>24,834,803</u>	<u>22,499,850</u>

BATAVIA LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
Year Ended June 30, 2020
Unaudited

Debt

As of June 30, 2020, the School District had \$35,602,448 outstanding in general obligation bonds, with \$1,342,448 due within the next fiscal year. This includes the issuance of \$23,095,000 in school improvement bonds during the fiscal year to finance OFCC projects. See Note 10 to the financial statements.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office at the Batavia Local School District, 800 Bauer Avenue, Batavia, Ohio 45103.

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Net Position

June 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 22,989,680	\$ 113,369	\$ 23,103,049
Receivables:			
Taxes	10,162,654	-	10,162,654
Accounts	18,894	3,997	22,891
Intergovernmental	40,046,740	-	40,046,740
Interest	2,845	-	2,845
Supplies inventory	-	20,529	20,529
Restricted cash and cash equivalents	11,346,683	-	11,346,683
Net OPEB asset	1,271,290	-	1,271,290
Nondepreciable capital assets	1,443,461	-	1,443,461
Depreciable capital assets, net	<u>23,291,244</u>	<u>100,098</u>	<u>23,391,342</u>
Total assets	<u>110,573,491</u>	<u>237,993</u>	<u>110,811,484</u>
Deferred Outflows of Resources:			
Pension	4,893,171	110,763	5,003,934
OPEB	<u>954,983</u>	<u>98,028</u>	<u>1,053,011</u>
Total deferred outflows of resources	<u>5,848,154</u>	<u>208,791</u>	<u>6,056,945</u>
Liabilities:			
Accounts payable	479,020	21,174	500,194
Accrued wages and benefits payable	1,621,810	40,832	1,662,642
Intergovernmental payable	262,781	3,302	266,083
Accrued interest payable	177,834	-	177,834
Noncurrent liabilities:			
Due within one year	1,442,321	1,458	1,443,779
Due within more than one year:			
Net pension liability	21,089,631	561,159	21,650,790
Net OPEB liability	1,727,353	235,548	1,962,901
Other amounts due more than one year	<u>37,442,083</u>	<u>14,093</u>	<u>37,456,176</u>
Total liabilities	<u>64,242,833</u>	<u>877,566</u>	<u>65,120,399</u>
Deferred Inflows of Resources:			
Property taxes	7,345,271	-	7,345,271
Payment in lieu of taxes	2,175,000	-	2,175,000
Pension	1,598,325	78,211	1,676,536
OPEB	<u>2,456,179</u>	<u>118,516</u>	<u>2,574,695</u>
Total deferred inflows of resources	<u>13,574,775</u>	<u>196,727</u>	<u>13,771,502</u>
Net Position:			
Net investment in capital assets	5,869,571	100,098	5,969,669
Restricted for:			
Capital projects	40,960,297	-	40,960,297
Debt service	8,280,692	-	8,280,692
Other purposes	574,849	-	574,849
Unrestricted (deficit)	<u>(17,081,372)</u>	<u>(727,607)</u>	<u>(17,808,979)</u>
Total net position	<u>\$ 38,604,037</u>	<u>\$ (627,509)</u>	<u>\$ 37,976,528</u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Activities
Year Ended June 30, 2020

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:						
Instruction:						
Regular	\$ 13,130,546	\$ 1,087,877	\$ 339,949	\$ (11,702,720)	\$ -	\$ (11,702,720)
Special education	6,369,732	-	1,386,483	(4,983,249)	-	(4,983,249)
Other instruction	20,311	-	-	(20,311)	-	(20,311)
Support services:						
Pupil	468,317	-	56,505	(411,812)	-	(411,812)
Instructional staff	192,569	-	1,766	(190,803)	-	(190,803)
Board of Education	229,545	-	28,837	(200,708)	-	(200,708)
Administration	1,812,711	-	36,010	(1,776,701)	-	(1,776,701)
Fiscal	706,476	-	5,400	(701,076)	-	(701,076)
Operation and maintenance of plant	2,451,784	-	-	(2,451,784)	-	(2,451,784)
Pupil transportation	1,716,306	-	-	(1,716,306)	-	(1,716,306)
Central	147,551	-	-	(147,551)	-	(147,551)
Non-instructional services:						
Extracurricular activities	503,480	172,242	-	(331,238)	-	(331,238)
Interest on long-term debt	1,366,120	-	-	(1,366,120)	-	(1,366,120)
Total Governmental Activities	<u>29,115,448</u>	<u>1,260,119</u>	<u>1,854,950</u>	<u>(26,000,379)</u>	<u>-</u>	<u>(26,000,379)</u>
Business-Type Activities:						
Food Service	1,119,225	240,612	665,050	-	(213,563)	(213,563)
Uniform School Supplies	95,951	134,942	-	-	38,991	38,991
Total Business-Type Activities	<u>1,215,176</u>	<u>375,554</u>	<u>665,050</u>	<u>-</u>	<u>(174,572)</u>	<u>(174,572)</u>
	<u>\$ 30,330,624</u>	<u>\$ 1,635,673</u>	<u>\$ 2,520,000</u>	<u>(26,000,379)</u>	<u>(174,572)</u>	<u>(26,174,951)</u>
General Revenues:						
Property taxes, levied for general purposes				7,501,088	-	7,501,088
Property taxes, levied for debt services				2,773,529	-	2,773,529
Property taxes, levied for classroom maintenance				104,803	-	104,803
Property taxes, levied for permanent improvements				248,033	-	248,033
Payments in lieu of taxes				2,011,993	-	2,011,993
Grants and entitlements not restricted to specific programs				12,644,431	-	12,644,431
Grants provided for permanent improvement projects				38,057,896	-	38,057,896
Investment earnings				338,337	-	338,337
Miscellaneous				550,865	-	550,865
Transfers				(29,753)	29,753	-
Total general revenues and transfers				<u>64,201,222</u>	<u>29,753</u>	<u>64,230,975</u>
Change in net position				38,200,843	(144,819)	38,056,024
Net position beginning of year, <i>restated</i>				403,194	(482,690)	(79,496)
Net position end of year				<u>\$ 38,604,037</u>	<u>\$ (627,509)</u>	<u>\$ 37,976,528</u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2020

	General	Debt Service	Building	Classroom Facilities	Other Governmental Funds
Assets:					
Equity in pooled cash and cash equivalents	\$ 3,481,914	\$ 7,860,883	\$ 9,976,179	\$ -	\$ 1,670,704
Restricted cash and cash equivalents	78,607	-	-	11,268,076	-
Receivables:					
Taxes	7,695,724	2,108,025	-	-	358,905
Accounts	18,894	-	-	-	-
Accrued interest	1,440	-	-	1,405	-
Intergovernmental	1,500,000	650,000	-	37,557,896	338,844
Interfund receivable	277,405	-	-	-	-
Total assets	<u>\$ 13,053,984</u>	<u>\$ 10,618,908</u>	<u>\$ 9,976,179</u>	<u>\$ 48,827,377</u>	<u>\$ 2,368,453</u>
Liabilities:					
Accounts payable	\$ 56,997	\$ -	\$ -	\$ 407,761	\$ 14,262
Accrued wages and benefits payable	1,548,939	-	-	-	72,871
Intergovernmental payable	245,487	-	-	-	17,294
Interfund payable	-	-	-	-	277,405
Compensated absences payable	1,933	-	-	-	20,029
Total liabilities	<u>1,853,356</u>	<u>-</u>	<u>-</u>	<u>407,761</u>	<u>401,861</u>
Deferred Inflows of Resources:					
Property taxes	5,692,185	1,398,038	-	-	255,048
Payments in lieu of taxes	1,500,000	650,000	-	-	25,000
Unavailable revenue	71,937	23,670	-	37,212,085	317,749
Total deferred inflows of resources	<u>7,264,122</u>	<u>2,071,708</u>	<u>-</u>	<u>37,212,085</u>	<u>597,797</u>
Fund Balances:					
Restricted	78,607	8,547,200	9,976,179	11,207,531	1,541,986
Assigned	549,294	-	-	-	206,375
Unassigned	3,308,605	-	-	-	(379,566)
Total fund balances	<u>3,936,506</u>	<u>8,547,200</u>	<u>9,976,179</u>	<u>11,207,531</u>	<u>1,368,795</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 13,053,984</u>	<u>\$ 10,618,908</u>	<u>\$ 9,976,179</u>	<u>\$ 48,827,377</u>	<u>\$ 2,368,453</u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2020

Total Governmental Funds <hr/> \$ 22,989,680 11,346,683 10,162,654 18,894 2,845 40,046,740 277,405 <hr/> \$ 84,844,901 \$ 479,020 1,621,810 262,781 277,405 21,962 <hr/> 2,662,978 7,345,271 2,175,000 37,625,441 <hr/> 47,145,712 31,351,503 755,669 2,929,039 <hr/> 35,036,211 \$ 84,844,901	<p>Total Governmental Fund Balances \$ 35,036,211</p> <p><i>Amounts reported for governmental activities in the statement of net position are different because:</i></p> <p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 24,734,705</p> <p>Other long-term assets are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the funds. 37,625,441</p> <p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">General obligation bonds</td> <td style="text-align: right;">(37,664,125)</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Accreted interest on bonds</td> <td style="text-align: right;">(112,344)</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Compensated absences</td> <td style="text-align: right;">(1,085,973)</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Accrued interest payable</td> <td style="text-align: right;"><u>(177,834)</u></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td></td> <td style="text-align: right;">(39,040,276)</td> </tr> </table> <p>The net pension and OPEB liabilities are not due and payable in the current period, The net OPEB asset is not available to pay for current period expenditures. Therefore, the asset, liabilities and related deferrals are not reported in the funds:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Deferred outflows - pension</td> <td style="text-align: right;">4,893,171</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Deferred inflows - pension</td> <td style="text-align: right;">(1,598,325)</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Net pension liability</td> <td style="text-align: right;">(21,089,631)</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Deferred outflows - OPEB</td> <td style="text-align: right;">954,983</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Deferred inflows - OPEB</td> <td style="text-align: right;">(2,456,179)</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Net OPEB asset</td> <td style="text-align: right;">1,271,290</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Net OPEB liability</td> <td style="text-align: right;"><u>(1,727,353)</u></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td></td> <td style="text-align: right;"><u>(19,752,044)</u></td> </tr> </table> <p>Net Position of Governmental Activities \$ <u>38,604,037</u></p>	General obligation bonds	(37,664,125)		Accreted interest on bonds	(112,344)		Compensated absences	(1,085,973)		Accrued interest payable	<u>(177,834)</u>		Total		(39,040,276)	Deferred outflows - pension	4,893,171		Deferred inflows - pension	(1,598,325)		Net pension liability	(21,089,631)		Deferred outflows - OPEB	954,983		Deferred inflows - OPEB	(2,456,179)		Net OPEB asset	1,271,290		Net OPEB liability	<u>(1,727,353)</u>		Total		<u>(19,752,044)</u>	
General obligation bonds	(37,664,125)																																								
Accreted interest on bonds	(112,344)																																								
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Total		<u>(19,752,044)</u>																																							

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2020

	General	Debt Service	Building	Classroom Facilities	Other Governmental Funds
Revenues:					
Taxes	\$ 7,479,664	\$ 2,770,600	\$ -	\$ -	\$ 351,485
Tuition and fees	1,087,877	-	-	-	-
Investment earnings	176,330	-	-	160,869	1,138
Payments in lieu of taxes	1,593,111	337,968	-	-	80,914
Intergovernmental	12,443,710	184,276	-	845,811	1,853,736
Other local revenues	540,748	-	-	-	182,359
Total revenues	<u>23,321,440</u>	<u>3,292,844</u>	<u>-</u>	<u>1,006,680</u>	<u>2,469,632</u>
Expenditures:					
Current:					
Instruction:					
Regular	11,373,012	-	-	-	404,875
Special education	4,605,711	-	-	-	1,572,706
Other instruction	12,968	-	-	-	-
Support services:					
Pupil	378,256	-	-	-	56,505
Instructional staff	146,379	-	-	-	27,215
Board of Education	195,840	-	-	-	31,908
Administration	1,649,079	-	-	-	37,123
Fiscal	615,723	40,510	-	-	16,218
Operation and maintenance of plant	1,441,831	-	-	-	5,774
Pupil transportation	1,484,789	-	-	-	177,754
Central	147,551	-	-	-	-
Non-instructional services:					
Extracurricular activities	279,371	-	-	-	140,209
Capital outlay	-	-	3,182,138	800,738	-
Debt Service:					
Principal	35,000	1,700,000	3,750,000	-	-
Interest and fiscal charges	9,900	1,058,634	-	-	-
Bond issuance costs	-	282,295	-	-	-
Total expenditures	<u>22,375,410</u>	<u>3,081,439</u>	<u>6,932,138</u>	<u>800,738</u>	<u>2,470,287</u>
Excess (deficiency) of revenues over (under) expenditures	<u>946,030</u>	<u>211,405</u>	<u>(6,932,138)</u>	<u>205,942</u>	<u>(655)</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	593,099
Transfers out	(622,852)	-	-	-	-
Issuance of debt	-	-	13,580,533	9,514,467	-
Premium on debt issued	-	1,994,535	-	-	-
Total other financing sources (uses):	<u>(622,852)</u>	<u>1,994,535</u>	<u>13,580,533</u>	<u>9,514,467</u>	<u>593,099</u>
Net change in fund balance	323,178	2,205,940	6,648,395	9,720,409	592,444
Fund balance, beginning of year, <i>restated</i>	<u>3,613,328</u>	<u>6,341,260</u>	<u>3,327,784</u>	<u>1,487,122</u>	<u>776,351</u>
Fund balance, end of year	<u>\$ 3,936,506</u>	<u>\$ 8,547,200</u>	<u>\$ 9,976,179</u>	<u>\$ 11,207,531</u>	<u>\$ 1,368,795</u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds to the Statement of Activities
 Year Ended June 30, 2020

Total Governmental Funds		
	Net Change in Fund Balances - Total Governmental Funds	\$ 19,490,366
\$ 10,601,749	<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
1,087,877	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
338,337	Capital asset additions	3,269,564
2,011,993	Depreciation expense	(914,930)
15,327,533	Principal paid on bonds payable is recorded as an expenditure on the fund financial statements and recorded as a reduction of the long-term liabilities in the government-wide financial statements. Premium amortization is not recorded on the fund financial statements, but is recorded as a reduction of the long-term liabilities in the government-wide financial statements.	5,564,115
723,107	In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.	(75,045)
30,090,596	Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(100,820)
	Revenues in the statement of activities that do not provide current financial resources are reported as deferred inflows in the funds.	37,255,448
11,777,887	Accretion of capital appreciation bonds do not require use of current financial resources are not reported in the governmental funds	(19,361)
6,178,417	Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.	
12,968	Pension	1,905,873
434,761	OPEB	29,122
173,594	Except for amounts reported as deferred outflows or inflows of resources, changes in net pension liability and net OPEB asset/liability are reported as pension expense and negative OPEB expense in the statement of activities:	
227,748	Pension	(3,464,130)
1,686,202	OPEB	350,176
672,451	The issuance of general obligation bonds and related premiums are recorded as other financing sources in the governmental funds, but are reported as long-term liabilities in the statement of net position.	(25,089,535)
1,447,605		
1,662,543	Change in Net Position of Governmental Activities	\$ 38,200,843
147,551		
419,580		
3,982,876		
5,485,000		
1,068,534		
282,295		
35,660,012		
(5,569,416)		
593,099		
(622,852)		
23,095,000		
1,994,535		
25,059,782		
19,490,366		
15,545,845		
<u>\$ 35,036,211</u>		

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Net Position

Proprietary Funds

June 30, 2020

	Food Service	Nonmajor Uniform School Supplies	Total Enterprise Funds
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ -	\$ 113,369	\$ 113,369
Receivables:			
Accounts	3,997	-	3,997
Supplies inventory	20,529	-	20,529
Total current assets	<u>24,526</u>	<u>113,369</u>	<u>137,895</u>
Noncurrent assets:			
Depreciable capital assets, net	100,098	-	100,098
Total assets	<u>124,624</u>	<u>113,369</u>	<u>237,993</u>
Deferred Outflows of Resources:			
Pension	110,763	-	110,763
OPEB	98,028	-	98,028
Total deferred outflows of resources	<u>208,791</u>	<u>-</u>	<u>208,791</u>
Liabilities:			
Current liabilities:			
Accounts payable	20,776	398	21,174
Accrued wages and benefits payable	40,832	-	40,832
Intergovernmental payable	3,302	-	3,302
Compensated absences	1,458	-	1,458
Total current liabilities	<u>66,368</u>	<u>398</u>	<u>66,766</u>
Noncurrent liabilities:			
Compensated absences	14,093	-	14,093
Net pension liability	561,159	-	561,159
Net OPEB liability	235,548	-	235,548
Total noncurrent liabilities	<u>810,800</u>	<u>-</u>	<u>810,800</u>
Total liabilities	<u>877,168</u>	<u>398</u>	<u>877,566</u>
Deferred Inflows of Resources:			
Pension	78,211	-	78,211
OPEB	118,516	-	118,516
Total deferred inflows of resources	<u>196,727</u>	<u>-</u>	<u>196,727</u>
Net Position:			
Investment in capital assets	100,098	-	100,098
Unrestricted (deficit)	(840,578)	112,971	(727,607)
Total net position	<u>\$ (740,480)</u>	<u>\$ 112,971</u>	<u>\$ (627,509)</u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Position

Proprietary Funds

Year Ended June 30, 2020

	Food Service	Nonmajor Uniform School Supplies	Total Enterprise Funds
Operating revenues:			
Charges for services	\$ 234,512	\$ 134,942	\$ 369,454
Other operating revenues	<u>6,100</u>	<u>-</u>	<u>6,100</u>
Total operating revenues	<u>240,612</u>	<u>134,942</u>	<u>375,554</u>
Operating expenses:			
Salaries and wages	261,031	-	261,031
Fringe benefits	205,175	-	205,175
Contractual services	549,798	-	549,798
Materials and supplies	83,540	95,951	179,491
Depreciation	<u>19,681</u>	<u>-</u>	<u>19,681</u>
Total operating expenses	<u>1,119,225</u>	<u>95,951</u>	<u>1,215,176</u>
Operating income (loss)	(878,613)	38,991	(839,622)
Nonoperating revenues:			
Federal and state grants	<u>665,050</u>	<u>-</u>	<u>665,050</u>
Total nonoperating revenues	<u>665,050</u>	<u>-</u>	<u>665,050</u>
Net income (loss) before transfers	(213,563)	38,991	(174,572)
Transfers in	<u>29,753</u>	<u>-</u>	<u>29,753</u>
Change in net position	(183,810)	38,991	(144,819)
Net position, beginning of year, <i>restated</i>	<u>(556,670)</u>	<u>73,980</u>	<u>(482,690)</u>
Net position, end of year	<u>\$ (740,480)</u>	<u>\$ 112,971</u>	<u>\$ (627,509)</u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2020

	Food Service	Nonmajor Uniform School Supplies	Total Enterprise Funds
Cash flows from operating activities:			
Cash received from customers	\$ 230,515	\$ 134,942	\$ 365,457
Cash received from other operating sources	6,100	-	6,100
Cash payments for personal services	(396,258)	-	(396,258)
Cash payments for contract services	(529,983)	-	(529,983)
Cash payments for supplies and materials	(3,824)	(95,653)	(99,477)
Net cash from operating activities	<u>(693,450)</u>	<u>39,289</u>	<u>(654,161)</u>
Cash flows from noncapital financing activities:			
Cash received from federal and state grants	588,091	-	588,091
Transfers in	29,753	-	29,753
Net cash provided by noncapital financing activities	<u>617,844</u>	<u>-</u>	<u>617,844</u>
Change in cash and cash equivalents	(75,606)	39,289	(36,317)
Cash and cash equivalents at beginning of year	<u>75,606</u>	<u>74,080</u>	<u>149,686</u>
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ 113,369</u>	<u>\$ 113,369</u>
Reconciliation of operating income (loss) to net cash from operating activities:			
Operating income (loss)	\$ (878,613)	\$ 38,991	\$ (839,622)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	19,681	-	19,681
Donated commodities used	76,959	-	76,959
Changes in assets, liabilities and deferrals:			
Accounts receivable	6,382	-	6,382
Accounts payable	19,815	298	20,113
Supplies inventory	2,757	-	2,757
Accrued wages and benefits payable	4,883	-	4,883
Intergovernmental payable	(1,038)	-	(1,038)
Compensated absences payable	122	-	122
Deferred outflows - pension/OPEB	108,501	-	108,501
Deferred inflows - pension/OPEB	93,470	-	93,470
Net pension liability	(75,209)	-	(75,209)
Net OPEB liability	<u>(71,160)</u>	<u>-</u>	<u>(71,160)</u>
Net cash from operating activities	<u>\$ (693,450)</u>	<u>\$ 39,289</u>	<u>\$ (654,161)</u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Net Position

Fiduciary Funds

June 30, 2020

	Private Purpose Trust	Agency Funds
ASSETS		
Equity in pooled cash and cash equivalents	\$ 26,529	66,791
Total assets	<u>26,529</u>	<u>66,791</u>
LIABILITIES		
Due to student groups	-	66,791
Total liabilities	<u>-</u>	<u>66,791</u>
NET POSITION		
Held in trust	\$ <u>26,529</u>	

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT

Statement of Changes in Net Position

Fiduciary Fund

Year Ended June 30, 2020

	Private Purpose Trust
Additions:	
Contributions	\$ <u>6,000</u>
Total additions	<u>6,000</u>
Deductions:	
Community gifts, awards and scholarships	<u>5,000</u>
Total deductions	<u>5,000</u>
Change in net position	1,000
Net position, beginning of year	<u>25,529</u>
Net position, end of year	\$ <u><u>26,529</u></u>

See accompanying notes to the basic financial statements.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The School District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally elected Board of Education (five members) and is responsible for the education of the residents of the School District. The Board controls the School District's four instructional support facilities providing education to approximately 2,400 students.

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

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

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

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

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

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

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

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

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

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fund Accounting

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

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

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

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

Building Fund – The building fund is used to account for the bond proceeds used for the locally funded initiatives under the Ohio Classroom Facilities Assistance Program.

Classroom Facilities Fund – The classroom facilities fund is used to account for the bond proceeds used for the construction of new middle school and high school buildings, along with various other campus renovations and improvements under the Ohio Classroom Facilities Assistance Program.

Proprietary funds are used to account for the School District's ongoing activities that are similar to those found in the private sector where the intent of the governing body is that the cost of providing goods and services to the general public be financed or recovered primarily through user charges. The following is the School District's major proprietary fund:

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

Fiduciary Funds report on net position and changes in net position. The School District's fiduciary funds consist of a private-purpose trust fund and agency funds. The School District's only private-purpose trust fund accounts for scholarship programs for students. These assets are not available for the School District's use. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations and are used to account for student activities.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting

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

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

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

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

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Inflows of Resources. In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, payments in lieu of taxes, unavailable revenue, pension and other postemployment benefits (OPEB). Receivables for property taxes and payment in lieu of taxes represent amounts that are measurable as of June 30, 2020, but are intended to finance fiscal year 2021 operations. These amounts have been recorded as deferred inflows of resources on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental fund financial statements and represent receivables that will not be collected within the available period. Deferred inflows of resources are reported on the government-wide and proprietary statements of net position for pension and OPEB (see Notes 7 and 8).

Deferred Outflows of Resources. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. For the School District, deferred outflows of resources are reported on the government-wide and proprietary statements of net position for pension and OPEB (see Notes 7 and 8).

E. Budgetary Process

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

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

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

Estimated Resources. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer.

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

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

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

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

F. Cash and Investments

To improve cash management, all cash received by the School District is pooled in central bank accounts. Monies for all funds are maintained in these accounts or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. During fiscal year 2020, the School District's investments included money market funds.

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

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Inventory

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

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type columns in the government-wide financial statements. The School District defines capital assets as those with an individual cost of more than \$10,000 and an estimated useful life in excess of one year. All capital assets are capitalized at cost or estimated historical cost where no historical records exist. Donated capital assets are recorded at their acquisition values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

Land improvements	20 years
Buildings and improvements	7 - 40 years
Equipment and furniture	5 - 20 years
Vehicles	5 - 10 years

I. Compensated Absences

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

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

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Net pension and OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension and OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

K. Pensions/Other Postemployment Benefits (OPEB)

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

L. Restricted Assets

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

M. Fund Balance

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

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

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

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

N. Net Position

Net position represents the difference between assets and deferred outflows of resources, less liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School District had no net position restricted by enabling legislation at year-end. The amounts restricted for other purposes consisted of scholarships and education foundation.

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

O. Estimates

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

2. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

2. DEPOSITS AND INVESTMENTS (continued)

- 8. Certain bankers' acceptances (for a period not to exceed one hundred and eighty days) and commercial paper notes (for a period not to exceed two hundred and seventy days) in an amount not to exceed 40% of the interim monies available for investment at any one time, if training requirements have been met.

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

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a custodial credit risk policy. However, protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the financial institution holding the deposits. By Ohio law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 102% of the deposits being secured, if the financial institution participates in the OPCS, or 105% percent of public funds on deposit with that specific financial institution if it does not participate in the OPCS. At year-end, the School District's bank balance of \$13,463,063 was either covered by FDIC or collateralized in the manner described above.

Investments

The School District's investments at June 30, 2020 were comprised of:

	Balance at	Weighted	S&P
	<u>6/30/20</u>	<u>Average</u>	<u>Rating</u>
		<u>Maturity</u>	
U.S. Government Money Markets	\$21,274,322	43 Days	AAAm

Credit Risk

It is the School District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have a credit quality rating of the top 2 ratings by nationally recognized statistical rating organizations.

Custodial Credit Risk

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

2. DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

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

Fair Value Measurements

The Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*, requires that investments be recorded at their fair value and that changes in the fair value be reported in the operating statement. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, money market investments are reported at amortized cost.

3. PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2020 represent collections of calendar year 2019 taxes. Public utility real and tangible personal property taxes received in calendar year 2020 became a lien on December 31, 2018, were levied after April 1, 2019 and are collected in calendar year 2020 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from the Clermont County Auditor, who periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2020 are available to finance fiscal year 2020 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility taxes, which became measurable as of June 30, 2020. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amount available as an advance June 30, 2020 was \$1,931,602 in the General Fund, \$686,317 in the Debt Service Fund and \$99,952 in the Other Governmental Funds.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

3. PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2020 taxes were collected are:

	<u>2019 Second- Half Collections</u>		<u>2020 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 221,769,100	92.33%	\$ 225,703,270	91.95%
Public Utility	<u>18,421,420</u>	7.67%	<u>19,771,760</u>	8.05%
Total Assessed Value	<u>\$ 240,190,520</u>	100.00%	<u>\$ 245,475,030</u>	100.00%
Tax rate per \$1,000 of assessed valuation	\$65.86		\$63.86	

4. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2020 consisted of the following:

	<u>Interfund</u>		<u>Transfers</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General Fund	\$ 277,405	\$ -	\$ -	\$ 622,852
Other Governmental Funds	-	277,405	593,099	-
Food Service Fund	-	-	<u>29,753</u>	<u>-</u>
	<u>\$ 277,405</u>	<u>\$ 277,405</u>	<u>\$ 622,852</u>	<u>\$ 622,852</u>

Interfund receivables/payables were made to provide temporary funding for reimbursable grant expenditures and finance the food service program. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

All transfers made in fiscal year 2020 were in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

Interfund receivables and payables are eliminated on the government-wide financial statements.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020 was as follows:

	<i>Restated</i> Balance 7/1/19	Additions	Disposals	Balance 6/30/20
<i>Governmental Activities</i>				
Nondepreciable:				
Land	\$ 1,035,700	\$ -	\$ -	\$ 1,035,700
Construction in progress	446,487	407,761	(446,487)	407,761
Subtotal	<u>1,482,187</u>	<u>407,761</u>	<u>(446,487)</u>	<u>1,443,461</u>
Depreciable:				
Land improvements	2,287,978	3,108,686	-	5,396,664
Buildings and improvements	25,865,806	-	-	25,865,806
Equipment and furniture	760,935	21,850	-	782,785
Vehicles	1,519,448	177,754	-	1,697,202
Subtotal	<u>30,434,167</u>	<u>3,308,290</u>	<u>-</u>	<u>33,742,457</u>
Totals at historical cost	<u>31,916,354</u>	<u>3,716,051</u>	<u>(446,487)</u>	<u>35,185,918</u>
Less accumulated depreciation:				
Land improvements	(697,327)	(242,799)	-	(940,126)
Buildings and improvements	(6,830,169)	(596,045)	-	(7,426,214)
Equipment and furniture	(572,499)	(42,521)	-	(615,020)
Vehicles	(1,436,288)	(33,565)	-	(1,469,853)
Total accumulated depreciation	<u>(9,536,283)</u>	<u>(914,930)</u>	<u>-</u>	<u>(10,451,213)</u>
Capital assets, net	<u>\$ 22,380,071</u>	<u>\$ 2,801,121</u>	<u>\$ (446,487)</u>	<u>\$ 24,734,705</u>

Depreciation expense was charged to functions as follows:

Instruction:	
Regular	\$ 824,789
Support services:	
Instructional staff	10,994
Operation and maintenance of plant	2,780
Pupil transportation	34,675
Extracurricular activities	<u>41,692</u>
Total depreciation expense	<u>\$ 914,930</u>

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

5. CAPITAL ASSETS (continued)

	<i>Restated</i> Balance 7/1/19	Additions	Disposals	Balance 6/30/20
<i>Business-type Activities:</i>				
Depreciable:				
Equipment and furniture	411,981	-	-	411,981
Less accumulated depreciation	(292,202)	(19,681)	-	(311,883)
Capital assets, net	<u>\$ 119,779</u>	<u>\$ (19,681)</u>	<u>\$ -</u>	<u>\$ 100,098</u>

Depreciation expense of \$19,681 was charged to the food service segment. During fiscal year 2020, the School District had a full reappraisal done on its capital assets, which required adjustments to School District records. The adjustments had the following effect on beginning net position:

	Governmental Activities	Business-Type Activities
Net Position at June 30, 2019	\$ 5,536,224	\$ (581,927)
Adjustments:		
Capital Asset Adjustments	(5,133,030)	99,237
Restated Net Position at June 30, 2019	<u>\$ 403,194</u>	<u>\$ (482,690)</u>

6. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2020, the School District contracted with commercial carriers for property and fleet insurance, liability insurance and inland marine coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant change in coverage in the last year.

For fiscal year 2020, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated, and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund".

This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control and actuarial services to the GRP. For fiscal year 2020, the School District participated in the Clermont County Health Trust (the Trust), a group insurance purchasing pool (Note 13), in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Trustee provides insurance policies in whole or in part through one or more group insurance policies.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

7. PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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 Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for contractually required pension contributions outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description - School Employees Retirement System (SERS)

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

7. PENSION PLANS (continued)

Age and service requirements for retirement are as follows:

Benefits	Eligible to Retire on or before August 1, 2017*	Eligible to Retire after August 1, 2017
Full Benefits	Any age with 30 years of service credit Age 65 with 5 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% for the first 30 years of service and 2.5% for years of service credit over 30. Final average salary is the average of the highest three years of salary.

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

Funding Policy – Plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10% for plan members and 14% for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2020 the 14% was allocated to only three of the funds (Pension Trust Fund, Death Benefit Fund and Medicare B Fund).

The School District’s contractually required contribution to SERS was \$512,219 for fiscal year 2020.

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.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

7. PENSION PLANS (continued)

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

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

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

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 Ohio 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 Ohio bearing the risk of investment gain or loss on the account. STRS Ohio therefore has included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2020, plan members were required to contribute 14% of their annual covered salary. The School District was required to contribute 14%; the entire 14% was the portion used to fund pension obligations. The fiscal year 2020 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$1,447,905 for fiscal year 2020. Of this amount, \$232,088 is reported as an intergovernmental payable.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

7. PENSION PLANS (continued)

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

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 4,676,322	\$ 16,974,468	\$ 21,650,790
Proportion of the Net Pension Liability	0.07816%	0.07676%	
Change in Proportion	-0.01443%	-0.00092%	
Pension Expense	\$ 927,973	\$ 2,645,835	\$ 3,573,808

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 118,582	\$ 138,201	\$ 256,783
Change in assumptions	-	1,993,980	1,993,980
Change in School District's proportionate share and difference in employer contributions	352,354	440,693	793,047
School District's contributions subsequent to the measurement date	<u>512,219</u>	<u>1,447,905</u>	<u>1,960,124</u>
Total Deferred Outflows of Resources	<u>\$ 983,155</u>	<u>\$ 4,020,779</u>	<u>\$ 5,003,934</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ -	\$ (73,480)	\$ (73,480)
Net difference between projected and actual earnings on pension plan investments	(60,026)	(829,621)	(889,647)
Change in School District's proportionate share and difference in employer contributions	<u>(591,732)</u>	<u>(121,677)</u>	<u>(713,409)</u>
Total Deferred Inflows of Resources	<u>\$ (651,758)</u>	<u>\$ (1,024,778)</u>	<u>\$ (1,676,536)</u>

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

7. PENSION PLANS (continued)

\$1,960,124 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2021	\$ 46,725	\$ 1,250,338	\$ 1,297,063
2022	(257,595)	362,489	104,894
2023	(3,994)	(155,675)	(159,669)
2024	34,042	90,944	124,986
	<u>\$ (180,822)</u>	<u>\$ 1,548,096</u>	<u>\$ 1,367,274</u>

Actuarial Assumptions - SERS

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

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

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will consider the employee's entire career with the employer and 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, 2019, are presented below:

Inflation	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%
COLA or Ad Hoc COLA	2.50%
Investment Rate of Return	7.50% net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

7. PENSION PLANS (continued)

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

The actuarial assumptions used were based on the results of an actuarial experience study for the period ending July 1, 2010 to June 30, 2015 adopted by the Board on April 21, 2016.

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

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

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

7. PENSION PLANS (continued)

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.5%, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%), or one percentage point higher (8.5%) 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	\$6,553,199	\$4,676,322	\$3,102,326

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2019 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
Payroll increases	3.00%
Investment rate of return	7.45%, net of investment expenses, including inflation
Discount rate of return	7.45%
Cost-of-living adjustments (COLA)	0%

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. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disability mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions were based on the results of an actual experience study for the period July 1, 2011 through June 30, 2016.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

7. PENSION PLANS (continued)

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:

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

* Target weights will be phased in over a 24-month period concluding on July 1, 2019

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

Discount Rate – The discount rate used to measure the total pension liability was 7.45% as of June 30, 2019. 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. 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, 2019. Therefore, the long-term expected rate of return on pension plan investments of 7.45% was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2019.

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%, 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%) or one-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
School District's proportionate share of the net pension liability	\$24,806,295	\$16,974,468	\$10,344,427

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

7. PENSION PLANS (continued)

Social Security System

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

8. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

Net OPEB Liability (Asset)

The net OPEB liability (asset) reported on the statement of net position represents a liability to (or assets for) employees for OPEB. 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 obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability (asset) 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 (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments, health care cost trend rates 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 Statement No. 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 (asset). Resulting adjustments to the net OPEB liability (asset) 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.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB liability* or fully funded benefits as a long-term *net OPEB asset* on the accrual basis of accounting. Any liability for contractually required OPEB contributions outstanding at the end of the fiscal year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

8. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

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 Statement No. 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

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

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% of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2020, there was no portion allocated 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 2020, the minimum compensation amount was \$21,600. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2020, the School District's surcharge obligation was \$32,424.

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 or by calling (888) 227-7877.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

8. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

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

Funding Policy—Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14% of covered payroll. For the fiscal year ended June 30, 2020, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liability (Asset), OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportionate Share of the Net OPEB Liability (Asset)	\$ 1,962,901	\$ (1,271,290)	\$ 691,611
Proportion of the Net OPEB Liability (Asset)	0.07805%	0.07676%	
Change in Proportion	-0.01408%	-0.00092%	
(Negative) OPEB Expense	\$ 31,399	\$ (378,098)	\$ (346,699)

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

8. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

At June 30, 2020, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 28,815	\$ 115,252	\$ 144,067
Net difference between projected and actual earnings on OPEB plan investments	4,713	-	4,713
Change in assumptions	143,368	26,724	170,092
Change in School District's proportionate share and difference in employer contributions	612,491	89,224	701,715
School District's contributions subsequent to the measurement date	<u>32,424</u>	<u>-</u>	<u>32,424</u>
Total Deferred Outflows of Resources	<u>\$ 821,811</u>	<u>\$ 231,200</u>	<u>\$ 1,053,011</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$ (431,237)	\$ (64,679)	\$ (495,916)
Net difference between projected and actual earnings on OPEB plan investments	-	(79,844)	(79,844)
Change in assumptions	(109,994)	(1,393,823)	(1,503,817)
Change in School District's proportionate share and difference in employer contributions	<u>(446,405)</u>	<u>(48,713)</u>	<u>(495,118)</u>
Total Deferred Inflows of Resources	<u>\$ (987,636)</u>	<u>\$ (1,587,059)</u>	<u>\$ (2,574,695)</u>

\$32,424 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

8. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2021	\$ (120,804)	\$ (292,344)	\$ (413,148)
2022	14,065	(292,344)	(278,279)
2023	15,448	(260,343)	(244,895)
2024	15,223	(249,117)	(233,894)
2025	(96,967)	(264,485)	(361,452)
2026	(25,214)	2,774	(22,440)
	<u>\$ (198,249)</u>	<u>\$ (1,355,859)</u>	<u>\$ (1,554,108)</u>

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 consider the employee’s entire career with the employer and 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.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

8. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation, prepared as of June 30, 2019, are presented below:

Investment Rate of Return	7.50% net of investment expense, including inflation
Wage Inflation	3.00%
Future Salary Increases, including Inflation	3.50% to 18.20%

Municipal Bond Index Rate:	
Prior Measurement Date	3.62%
Measurement Date	3.13%

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:	
Prior Measurement Date	3.70%
Measurement Date	3.22%

Medical Trend Assumption:	
Pre-Medicare	7.00% - 4.75%
Medicare	5.25% - 4.75%

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

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%, 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.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

8. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

The target 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 in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
U.S. Stocks	22.50	4.75
Non-U.S. Stock	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Estate	15.00	5.00
Multi-Asset Strategies	10.00	3.00
 Total	 100.00 %	

Discount Rate – The discount rate used to measure the total OPEB liability at June 30, 2019 was 3.22%. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.70%. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and SERS at the state statute contribution rate of 2.00% of projected covered employee payroll each year, which includes a 1.50% payroll surcharge and 0.50% of contributions from 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 3.13% as of June 30, 2019 (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 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 calculated using the discount rate of 3.22%, as well as what the School District’s net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.22%) and one percentage point higher (4.22%) than the current rate.

	1% Decrease (2.22%)	Current Discount Rate (3.22%)	1% Increase (4.22%)
School District's proportionate share of the net OPEB liability	\$2,382,588	\$1,962,901	\$1,629,199

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

8. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

The following table presents the net OPEB liability calculated using current health care cost trend rates, as well as what the School District's net OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower (6.00% decreasing to 3.75%) and one percentage point higher (8.00% decreasing to 5.75%) than the current rates.

	1% Decrease (6.00% decreasing to 3.75%)	Current Trend Rates (7.00% decreasing to 4.75%)	1% Increase (8.00% decreasing to 5.75%)
School District's proportionate share of the net OPEB liability	\$1,572,681	\$1,962,901	\$2,480,627

Actuarial Assumptions - STRS

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

Salary increases	12.50% at age 20 to 2.50% at age 65	
Payroll increases	3.00%	
Investment rate of return	7.45%, net of investment expenses, including inflation	
Discount rate of return	7.45%	
Health care cost trends	Initial	Ultimate
Medical		
Pre-Medicare	5.87%	4.00%
Medicare	4.98%	4.00%
Prescription Drug		
Pre-Medicare	7.73%	4.00%
Medicare	9.62%	4.00%

For healthy retirees the mortality rates 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. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

Since the prior measurement date, claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

8. OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (continued)

STRS Ohio’s 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:

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

* Target weights will be phased in over a 24-month period concluding on July 1, 2019.

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

Discount Rate – The discount rate used to measure the total OPEB liability was 7.45% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2019 . Therefore, the long-term expected rate of return on OPEB plan assets of 7.45% was used to measure the total OPEB liability as of June 30, 2019.

Sensitivity of the School District's Proportionate Share of the Net OPEB (Asset) to Changes in the Discount Rate and the Health Care Cost Trend Rates – The following table presents the School District's proportionate share of the net OPEB (asset) calculated using the current period discount rate assumption of 7.45%, as well as what the School District's proportionate share of the net OPEB (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.45%) and one percentage point higher (8.45%) than the current rate. Also shown is the net OPEB (asset) as if it were calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
	School District's proportionate share of the net OPEB (asset)	(\$1,084,792)	(\$1,271,290)
	1% Decrease	Current Trend Rates	1% Increase
	School District's proportionate share of the net OPEB (asset)	(\$1,441,583)	(\$1,271,290)

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

9. EMPLOYEE BENEFITS

Compensated Absences

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

10. LONG-TERM OBLIGATIONS

During the fiscal year 2020, the following changes occurred in long-term obligations.

	Principal Outstanding 7/1/19	Additions	Reductions	Principal Outstanding 6/30/20	Amounts Due in One Year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 14,242,448	\$ 23,095,000	\$ (1,735,000)	\$ 35,602,448	\$ 1,342,448
Accreted interest on bonds	92,983	19,361	-	112,344	-
Unamortized premiums	142,401	1,994,535	(75,259)	2,061,677	-
Bond anticipation notes	3,750,000	-	(3,750,000)	-	-
Unamortized premiums	3,856	-	(3,856)	-	-
Compensated absences	<u>1,030,223</u>	<u>183,164</u>	<u>(105,452)</u>	<u>1,107,935</u>	<u>99,873</u>
Net pension liability:					
STRS	17,079,378	-	(104,908)	16,974,470	-
SERS	4,666,695	-	(551,532)	4,115,163	-
Net OPEB liability:					
SERS	<u>2,249,196</u>	<u>-</u>	<u>(521,843)</u>	<u>1,727,353</u>	<u>-</u>
Total Governmental Activities	<u>\$ 43,257,180</u>	<u>\$ 25,292,060</u>	<u>\$ (6,847,850)</u>	<u>\$ 61,701,390</u>	<u>\$ 1,442,321</u>
<i>Business-type Activities:</i>					
Compensated absences	<u>\$ 15,429</u>	<u>\$ 1,519</u>	<u>\$ (1,397)</u>	<u>\$ 15,551</u>	<u>\$ 1,458</u>
Net pension liability:					
SERS	636,368	-	(75,209)	561,159	-
Net OPEB liability:					
SERS	<u>306,708</u>	<u>-</u>	<u>(71,160)</u>	<u>235,548</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 958,505</u>	<u>\$ 1,519</u>	<u>\$ (147,766)</u>	<u>\$ 812,258</u>	<u>\$ 1,458</u>

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

10. LONG-TERM OBLIGATIONS (continued)

Batavia Junior High School Addition General Obligation Bonds – In 1998, the School District issued \$9,150,000 in voted general obligation bonds for the purpose of an addition and improvements to the junior high school building. The bonds were issued for a 25-year period and pay an interest rate of 5.625%, with final maturity at December 1, 2022 and will be retired from the Debt Service Fund.

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

Series 2013 Classroom Facilities School Improvement Bonds – In April 2013, the School District issued \$9,822,448 in unlimited tax general obligation bonds, comprised of serial, term and capital appreciation bonds, to finance the construction of a new elementary school building. These bonds have a final maturity of December 1, 2040, bear interest rates ranging from 1.50% to 7.17%, and will be retired from the Debt Service Fund.

Series 2013B Classroom Facilities School Improvement Bonds – In May 2013, the School District issued \$3,820,000 in general obligation bonds, comprised of serial and term bonds, to refinance bond anticipation notes issued in December 2012, to finance the construction of the new elementary school building. These bonds have a final maturity of December 1, 2040, bear interest rates ranging from 1.5% to 4.0%, and will be retired from the Debt Service Fund.

Series 2018 Bond Anticipation Notes – In December 2018, the School District issued \$3,750,000 in bond anticipation notes to finance various improvement to school facilities. These notes matured on September 1, 2019 and bear an interest rate of 3.0%. These notes were refinanced in August 2019 with *Series 2019A School Improvement Bonds*.

Series 2019A School Improvement Bonds – In August 2019, the School District issued \$3,445,000 in unlimited tax general obligation bonds, comprised of serial and term bonds, to refinance bond anticipation notes issued in December 2018 and to finance various improvements to school facilities. These bonds have a final maturity of November 1, 2037, bear interest rates ranging from 3.0% to 4.0% and will be retired from the Debt Service Fund.

The term bonds, issued at \$490,000 and maturing on November 1, 2031 and November 1, 2033, are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on November 1, 2030 and each November 1 thereafter at 100% of the principal amount thereof plus accrued interest to date of redemption according to the following schedule:

Fiscal Year	Amount
2031	\$ 115,000
2032	125,000
2033	125,000
2034	125,000
	\$ 490,000

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

10. LONG-TERM OBLIGATIONS (continued)

Bonds maturing on or after November 1, 2030 are subject to optional redemption, in whole or in part on any date at the option of the Board on or after November 1, 2029 at par plus accrued interest to the date of redemption.

Series 2019B School Unlimited Bonds – In October 2019, the School District issued \$19,650,000 in unlimited tax general obligation bonds, comprised of serial and term bonds, to finance the construction of a new high school and middle school building and various improvements and renovations. These bonds have a final maturity of November 1, 2050, bear interest rates ranging from 3.0% to 4.0%, and will be retired from the Debt Service Fund.

The term bonds, issued at \$9,685,000 and maturing on November 1, 2041, November 1, 2044, and November 1, 2050, are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on November 1, 2040 and each November 1 thereafter at 100% of the principal amount thereof plus accrued interest to date of redemption according to the following schedule:

Fiscal Year	Amount
2041	\$ 730,000
2042	760,000
2043	790,000
2044	820,000
2045	850,000
2046	885,000
2047	915,000
2048	940,000
2049	970,000
2050	1,000,000
2051	1,025,000
	\$ 9,685,000

Bonds maturing on or after November 1, 2030 are subject to optional redemption, in whole or in part on any date at the option of the Board on or after November 1, 2029 at par plus accrued interest to the date of redemption.

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

10. LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2020 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2021	\$ 1,342,448	\$ 1,392,833	\$ 2,735,281
2022	1,525,000	1,210,975	2,735,975
2023	1,590,000	1,145,328	2,735,328
2024	950,000	1,095,619	2,045,619
2025	985,000	1,062,743	2,047,743
2026-2030	5,275,000	4,781,137	10,056,137
2031-2035	6,280,000	3,731,653	10,011,653
2036-2040	7,225,000	2,478,244	9,703,244
2041-2045	4,695,000	1,281,887	5,976,887
2046-2050	4,710,000	515,550	5,225,550
2051	1,025,000	15,375	1,040,375
Total	<u>\$ 35,602,448</u>	<u>\$ 18,711,344</u>	<u>\$ 54,313,792</u>

11. FUND BALANCES

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

Governmental Fund Balances	General	Debt Service	Building	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Restricted for						
Set-asides	\$ 78,607	\$ -	\$ -	\$ -	\$ -	\$ 78,607
School facility improvements	-	-	9,976,179	11,207,531	1,359,588	22,543,298
Scholarships	-	-	-	-	114	114
Athletics	-	-	-	-	67,075	67,075
Miscellaneous State Grants	-	-	-	-	11,056	11,056
Limited English Proficiency	-	-	-	-	8,633	8,633
Supporting Effective Instruction	-	-	-	-	95,520	95,520
Debt Service Payments	-	8,547,200	-	-	-	8,547,200
Total Restricted	<u>78,607</u>	<u>8,547,200</u>	<u>9,976,179</u>	<u>11,207,531</u>	<u>1,541,986</u>	<u>31,351,503</u>
Assigned to						
Capital Improvements	-	-	-	-	206,375	206,375
Encumbrances	208,815	-	-	-	-	208,815
Public School Support	126,782	-	-	-	-	126,782
Budget Resource	213,697	-	-	-	-	213,697
Total Assigned	<u>549,294</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>206,375</u>	<u>755,669</u>
Unassigned (Deficit)	<u>3,308,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(379,566)</u>	<u>2,929,039</u>
Total	<u>\$ 3,936,506</u>	<u>\$ 8,547,200</u>	<u>\$ 9,976,179</u>	<u>\$ 11,207,531</u>	<u>\$ 1,368,795</u>	<u>\$ 35,036,211</u>

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

12. JOINTLY GOVERNED ORGANIZATIONS

The Hamilton Clermont Cooperative Information Technology Center

The Hamilton Clermont Cooperative Information Technology Center (HCC) is a jointly governed organization among a two-county consortium of school districts. HCC is an association of public districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The executive committee is the managerial body responsible for directing and supervising the daily operation of HCC. The executive committee is composed of up to 12 members; two superintendents from each county, the superintendent from each county educational service center (ESC), one treasurer from each county, and the treasurer from each county ESC serving as non-voting ex officio members. To obtain financial information, write to HCC at 1007 Cottonwood Drive, Loveland, Ohio 45140.

The Great Oaks Institute of Technology and Career Development

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

13. INSURANCE PURCHASING POOLS

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

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

The Clermont County Health Trust

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

14. TAX ABATEMENTS

Pursuant to GASB Statement No. 77, *Tax Abatement Disclosures*, the School District is required to disclose certain information on its use of tax abatement incentives. A tax abatement incentive, under this Statement, is an agreement between the local government and an individual or entity in which the local government promises to forgo tax revenue, while the individual or entity promises to take a specific action after the agreement has been entered into that contributes to the economic development or otherwise benefits the local government or the citizens of the local government.

The School District property tax revenues were reduced by \$577,893 under Enterprise Zone agreements entered into by Clermont County. The Enterprise Zone Program is an economic development tool administered by the County pursuant to Ohio Revised Code Section 5709 to provide real and personal property tax exemptions to businesses making investments within an enterprise zone. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone Program can provide tax exemptions, up to 100%, for a portion of the value of new real and personal property investment (when that personal property is still taxable) when the investment is made in conjunction with a project that includes job creation. Existing land values and existing building values are generally not eligible.

15. CONTINGENCIES

Grant Funding

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effects of any such disallowed claims on the overall financial position of the School District at June 30, 2020, if applicable, cannot be determined at this time.

Litigation

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

16. REQUIRED SET-ASIDES

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

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

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

16. REQUIRED SET-ASIDES (continued)

	<u>Capital</u> <u>Improvements</u>	<u>Budget</u> <u>Stabilization</u>
Set-aside reserve balance as of June 30, 2019	\$ -	\$ 78,607
Current year set-aside requirement	415,546	-
Current year qualifying expenditures	(526,391)	-
Current year offsets	<u>(138,287)</u>	<u>-</u>
Total	<u>\$ (249,132)</u>	<u>\$ 78,607</u>
Set-aside reserve balance as of June 30, 2020	<u>\$ -</u>	<u>\$ 78,607</u>

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

17. ACCOUNTABILITY AND COMPLIANCE

Accountability

At June 30, 2020, the following funds had a deficit fund balances:

Other Governmental Funds:	
Vocational Education Fund	\$ 7,162
IDEA, Part B Fund	749
Title I Fund	361,366
Miscellaneous Federal Grants Fund	10,289

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

Compliance

The School District had noncompliance with Ohio Revised Code Sections 5705.10(I) for money used for purposes for which such fund was not established; 5705.36(A)(4) for not seeking a reduction in the certificate of estimated resources; 5705.39 for appropriations in excess of estimated resources; noncompliance with Ohio Revised Code Section 5705.41(B) for expenditures in excess of appropriations; and noncompliance with Ohio Revised Code Section 5705.40 for not properly amending its appropriations throughout the fiscal year.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

18. COMMITMENTS

Encumbrances

The School District utilizes encumbrance accounting to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. The School District's outstanding encumbrance amounts at June 30, 2020 were:

General Fund	\$ 263,938
Classroom Facilities Project Fund	346,337
Other Governmental Funds	<u>132,628</u>
	<u>\$ 742,903</u>

19. RESTATEMENTS

The School District restated beginning fund balances to move the locally funded initiatives activity under the Ohio Classroom Facilities Assistance Program from the Classroom Facilities Fund to the Building Fund. The School District also restated beginning fund balances to move BAN premiums from the Classroom Facilities Fund to the Debt Service Fund. These adjustments had the following impact on beginning fund balances:

	<u>Debt Service</u>	<u>Building</u>	<u>Classroom Facilities</u>
Fund Balances at June 30, 2019	\$ 6,337,404	\$ -	\$ 4,818,762
Adjustments:			
Classroom Facilities Project Reclassifications	<u>3,856</u>	<u>3,327,784</u>	<u>(3,331,640)</u>
Restated Fund Balances at June 30, 2019	<u>\$ 6,341,260</u>	<u>\$ 3,327,784</u>	<u>\$ 1,487,122</u>

20. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2020, the School District implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 postpones the effective dates of certain provisions in the statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later. The School District elected to postpone implementing GASB Statement No. 84, *Fiduciary Activities*, until the fiscal year ending June 30, 2021.

21. COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures impacted the second half of fiscal year 2020 and may impact subsequent periods of the School District. The impact on the School District's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

BATAVIA LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
Year Ended June 30, 2020

22. SUBSEQUENT EVENT

On March 16, 2021, the School District issued \$8,545,000 Classroom Facilities School Improvement Unlimited Tax General Obligation Refunding Bonds, Series 2021 for the purposes of (i) refunding a portion of the District's outstanding \$9,822,448.15 Classroom Facilities School Improvement General Obligation Bonds, Series 2013 (the "Series 2013 Bonds") originally issued for the purposes of paying the District's local share of school construction and required locally funded initiatives under the State of Ohio Classroom Facilities Assistance Program (ii) refunding a portion of the District's outstanding \$3,820,000 Classroom Facilities School Improvement General Obligation Bonds, Series 2013B (the "Series 2013B Bonds") originally issued for the purpose of paying the cost of improvements to school facilities comprised of locally funded initiatives for the School District's project under the State of Ohio Classroom Facilities Assistance Program, including new construction, improvements, renovations and additions to school facilities, and providing equipment, furnishings and site improvements thereon, and (iii) paying certain costs related to the issuance of bonds together with other permissible costs under the Uniform Public Securities Law including the cost of printing the bonds, expense in delivery of the bonds, service charges of the paying agent and registrar, legal services and obtaining an approving legal opinion and all necessary costs in connection therewith.

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REQUIRED SUPPLEMENTARY INFORMATION

BATAVIA LOCAL SCHOOL DISTRICT

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund

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

General Fund

Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes	\$ 8,349,467	\$ 8,349,467	\$ 7,481,636	\$ (867,831)
Payments in lieu of taxes	1,668,890	1,668,890	1,479,111	(189,779)
Tuition and fees	1,227,459	1,227,459	1,087,877	(139,582)
Interest	197,329	197,329	174,890	(22,439)
Intergovernmental	13,990,134	13,990,133	12,323,258	(1,666,875)
Other local revenues	856,259	856,259	758,889	(97,370)
Total revenues	<u>26,289,538</u>	<u>26,289,537</u>	<u>23,305,661</u>	<u>(2,983,876)</u>
Expenditures:				
Current:				
Instruction:				
Regular	11,501,003	11,148,414	11,221,525	(73,111)
Special education	4,732,445	4,588,695	4,574,978	13,717
Other instruction	13,715	13,294	13,400	(106)
Support services:				
Pupil	381,403	369,699	372,507	(2,808)
Instructional staff	158,381	153,697	149,057	4,640
Board of Education	245,937	238,554	234,973	3,581
Administration	1,636,729	1,586,588	1,595,795	(9,207)
Fiscal	644,529	624,928	623,838	1,090
Operation and maintenance of plant	1,657,914	1,609,654	1,535,908	73,746
Pupil transportation	1,619,201	1,571,156	1,529,073	42,083
Central	151,024	146,388	147,551	(1,163)
Non-instructional services:				
Extracurricular activities	286,242	277,455	279,659	(2,204)
Debt service	44,900	44,900	44,900	-
Total expenditures	<u>23,073,423</u>	<u>22,373,422</u>	<u>22,323,164</u>	<u>50,258</u>
Excess revenues over expenditures	3,216,115	3,916,115	982,497	(2,933,618)
Other financing uses:				
Transfers out	(652,431)	(652,431)	(652,431)	-
Net change in fund balance	2,563,684	3,263,684	330,066	<u>\$ (2,933,618)</u>
Fund balance, beginning of year	2,889,537	2,889,537	2,889,537	
Prior year encumbrances appropriated	225,855	225,855	225,855	
Fund balance, end of year	<u>\$ 5,679,076</u>	<u>\$ 6,379,076</u>	<u>\$ 3,445,458</u>	

See accompanying notes to required supplementary information.

BATAVIA LOCAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of School District's Proportionate Share of the Net Pension Liability
 School Employees Retirement System of Ohio
 Last Seven Fiscal Years (1) (2)

	School District's Proportion of the Net Pension Liability	School District's Proportionate Share of the Net Pension Liability	School District's Covered Payroll	School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.07645%	\$ 4,546,415	\$ 2,019,530	225.12%	65.52%
2015	0.07645%	3,869,243	2,008,478	192.65%	71.70%
2016	0.07090%	4,045,480	2,392,223	169.11%	69.16%
2017	0.07462%	5,461,617	2,410,850	226.54%	62.98%
2018	0.06093%	3,640,196	2,565,479	141.89%	69.50%
2019	0.09259%	5,303,063	2,795,170	189.72%	71.36%
2020	0.07816%	4,676,322	2,802,644	166.85%	70.85%

(1) Information prior to 2014 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the School District's measurement date, which is the prior fiscal year-end.

Notes to Schedule:

Change in assumptions. In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction of the discount rate from 7.75% to 7.50%, a reduction in the wage inflation rate from 3.25% to 3.00%, a reduction in the payroll growth assumption used from 4.00% to 3.50%, reduction in the assumed real wage growth rate from 0.75% to 0.50%, update of the rates of withdrawal, retirement and disability to reflect recent experience, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables for active members and service retired members and beneficiaries.

Changes of benefit and funding terms. In measurement year 2018, post-retirement increases in benefits included the following changes:

1. Members, or their survivors, retiring prior to January 1, 2018, receive a COLA increase of 3% of their base benefit on the anniversary of their initial date of retirement.
2. Members, or their survivors, retiring on and after January 1, 2018, receive a COLA increase on each anniversary of their initial date of retirement equal to the annual rate of increase in the CPI-W measured as of the June preceding the beginning of the applicable calendar year. The annual rate of increase shall not be less than 0%, nor greater than 2.5%. COLAs are suspended for calendar years 2018, 2019, and 2020.
3. Members, or their survivors, retiring on and after April 1, 2018, will have their COLA delayed for three years following their initial date of retirement.

BATAVIA LOCAL SCHOOL DISTRICT

Required Supplementary Information

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

State Teachers Retirement System of Ohio

Last Seven Fiscal Years (1) (2)

	School District's Proportion of the Net Pension Liability	School District's Proportionate Share of the Net Pension Liability	School District's Covered Payroll	School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.07378%	\$ 21,378,048	\$ 8,281,815	258.13%	69.30%
2015	0.07378%	17,946,747	8,118,554	221.06%	74.70%
2016	0.07513%	20,763,395	7,786,950	266.64%	72.09%
2017	0.07622%	25,512,880	8,635,571	295.44%	66.78%
2018	0.07914%	18,799,607	9,710,864	193.59%	75.30%
2019	0.07768%	17,079,378	9,786,564	174.52%	77.30%
2020	0.07676%	16,974,468	9,917,971	171.15%	77.40%

(1) Information prior to 2014 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the School District's measurement date, which is the prior fiscal year-end.

Notes to Schedule:

Change in assumptions. In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2016. Significant changes included a reduction of the discount rate from 7.75% to 7.45%, the inflation assumption was lowered from 2.75% to 2.50%, the payroll growth assumption was lowered to 3.00%, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0/25% due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Change in benefit terms. Effective July 1, 2017, the COLA was reduced to zero.

BATAVIA LOCAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of School District's Pension Contributions
 School Employees Retirement System of Ohio
 Last Eight Fiscal Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 279,503	\$ (279,503)	\$ -	\$ 2,019,530	13.84%
2014	278,375	(278,375)	-	2,008,478	13.86%
2015	315,295	(315,295)	-	2,392,223	13.18%
2016	337,519	(337,519)	-	2,410,850	14.00%
2017	359,167	(359,167)	-	2,565,479	14.00%
2018	377,348	(377,348)	-	2,795,170	13.50%
2019	378,357	(378,357)	-	2,802,644	13.50%
2020	512,219	(512,219)	-	3,658,707	14.00%

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

BATAVIA LOCAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of School District's Pension Contributions
 State Teachers Retirement System of Ohio
 Last Eight Fiscal Years (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 1,076,636	\$ (1,076,636)	\$ -	\$ 8,281,815	13.00%
2014	1,055,412	(1,055,412)	-	8,118,554	13.00%
2015	1,090,173	(1,090,173)	-	7,786,950	14.00%
2016	1,208,980	(1,208,980)	-	8,635,571	14.00%
2017	1,359,521	(1,359,521)	-	9,710,864	14.00%
2018	1,370,119	(1,370,119)	-	9,786,564	14.00%
2019	1,388,516	(1,388,516)	-	9,917,971	14.00%
2020	1,447,905	(1,447,905)	-	10,342,179	14.00%

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

BATAVIA LOCAL SCHOOL DISTRICT

Required Supplementary Information

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

School Employees Retirement System of Ohio

Last Four Fiscal Years (1) (2)

	School District's Proportion of the Net OPEB Liability	School District's Proportionate Share of the Net OPEB Liability	School District's Covered Payroll	School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.07544%	\$ 2,150,188	\$ 2,410,850	89.19%	11.49%
2018	0.06176%	1,657,605	2,565,479	64.61%	12.46%
2019	0.09213%	2,555,904	2,795,170	91.44%	13.57%
2020	0.07805%	1,962,901	2,802,644	70.04%	15.57%

(1) Information prior to 2017 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the School District's measurement date, which is the prior fiscal year-end.

Notes to Schedule:

Change in assumptions. In measurement year 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended June 30, 2015. Significant changes included a reduction in the rate of inflation from 3.25% to 3.00%, a reduction in the payroll growth assumption from 4.00% to 3.50%, a reduction in assumed real wage growth from 0.75% to 0.50%, an update in rates of withdrawal, retirement and disability, and transitioning to the following mortality tables: RP-2014 Blue Collar Mortality Table with fully generational projection and a five-year age set back for both active male and female members; RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB (120% of male rates, and 110% of female rates) for service retired members and beneficiaries; and RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement among disabled members.

In measurement year 2018, medical trend rates have been adjusted to reflect premium decreases.

Change in benefit and funding terms. In measurement year 2018, SERS' funding policy allowed a 2.0% health care contribution rate to be allocated to the Health Care fund. The 2.0% is a combination of 0.5% employer contributions and 1.5% surcharge.

BATAVIA LOCAL SCHOOL DISTRICT

Required Supplementary Information

Schedule of School District's Proportionate Share of the Net OPEB Liability (Asset)

State Teachers Retirement System of Ohio

Last Four Fiscal Years (1) (2)

	School District's Proportion of the Net OPEB Liability (Asset)	School District's Proportionate Share of the Net OPEB Liability (Asset)	School District's Covered Payroll	School District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
2017	0.07622%	\$ 4,076,225	\$ 8,635,571	47.20%	37.3%
2018	0.07914%	3,087,706	9,710,864	31.80%	47.1%
2019	0.07768%	(1,248,187)	9,786,564	(12.75%)	176.0%
2020	0.07676%	(1,271,290)	9,917,971	(12.82%)	174.7%

(1) Information prior to 2017 is not available. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the School District's measurement date, which is the prior fiscal year-end.

Notes to Schedule:

Change in assumption. For measurement year 2017, the discount rate was increased from 3.26% to 4.13% 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% to 7.45%. 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.

For measurement year 2018, the discount rate was increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45% based on the methodology defined under GASB Statement No. 74. Valuation year per capital health care costs were updated.

Change in benefit terms. For measurement year 2017, the subsidy multiplier for non-Medicare benefit recipient was reduced from 2.1% to 1.9% 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.

For measurement year 2018, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9% to 1.944% per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For measurement year 2019, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944% to 1.984% year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1% for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021.

BATAVIA LOCAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of School District's OPEB Contributions
 School Employees Retirement System of Ohio
 Last Five Fiscal Years (1)

	Contractually Required Contributions (2)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 37,374	\$ (37,374)	\$ -	\$ 2,410,850	1.55%
2017	33,381	(33,381)	-	2,565,479	1.30%
2018	54,400	(54,400)	-	2,795,170	1.95%
2019	52,085	(52,085)	-	2,802,644	1.86%
2020	32,424	(32,424)	-	3,658,707	0.89%

(1) The School District elected not to present information prior to 2016. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) Includes Surcharge

BATAVIA LOCAL SCHOOL DISTRICT
 Required Supplementary Information
 Schedule of School District's OPEB Contributions
 State Teachers Retirement System of Ohio
 Last Five Fiscal Years (1)

	Contractually Required Contributions (2)	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	School District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ -	\$ -	\$ -	\$ 8,635,571	0.00%
2017	-	-	-	9,710,864	0.00%
2018	-	-	-	9,786,564	0.00%
2019	-	-	-	9,917,971	0.00%
2020	-	-	-	10,342,179	0.00%

(1) The School District elected not to present information prior to 2016. The School District will continue to present information for years available until a full ten-year trend is compiled.

(2) STRS allocated the entire 14% employer contribution rate toward pension benefits.

BATAVIA LOCAL SCHOOL DISTRICT

Required Supplementary Information

Notes to Required Supplementary Information

Year Ended June 30, 2020

Note A Budgetary Basis of Accounting

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

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

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

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

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

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

	<u>General</u>
Net change in fund balance - GAAP Basis	\$ 323,178
Increase / (decrease):	
Due to inclusion of the Public School Support Fund	11,836
Due to inclusion of the Employee Benefits Fund	(29,576)
Due to revenues	9,612
Due to expenditures	278,954
Due to encumbrances	<u>(263,938)</u>
Net change in fund balance - Budget Basis	<u>\$ 330,066</u>

SUPPLEMENTARY INFORMATION

**BATAVIA LOCAL SCHOOL DISTRICT
CLERMONT COUNTY, OHIO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM/CLUSTER TITLE	FEDERAL CFDA NUMBER	(C) PASS-THROUGH ENTITY IDENTIFYING NUMBER / ADDITIONAL AWARD IDENTIFICATION	(A) TOTAL FEDERAL EXPENDITURES
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through the Ohio Department of Education</i>			
Child Nutrition Cluster:			
(D) COVID-19 - School Breakfast Program	10.553	2020	\$ 62,589
(D) School Breakfast Program	10.553	2020	<u>109,959</u>
Total School Breakfast Program			<u>172,548</u>
(D) COVID-19 - National School Lunch Program	10.555	2020	108,993
(D) National School Lunch Program	10.555	2020	296,581
(E) National School Lunch Program - Food Donation	10.555	2020	<u>91,923</u>
Total National School Lunch Program			<u>497,497</u>
Total U.S. Department of Agriculture and Child Nutrition Cluster			<u>670,045</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through the Ohio Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	2019	3,540
Title I Grants to Local Educational Agencies	84.010	2020	492,242
Title I Grants to Local Educational Agencies - Delinquent	84.010	2020	<u>145,679</u>
Total Title I Grants to Local Educational Agencies			<u>641,461</u>
Special Education Cluster (IDEA):			
Special Education-Grants to States (IDEA, Part B)	84.027	2020	522,679
Special Education-Grants to States (IDEA, Part B) - Restoration	84.027	2019	36,000
Special Education-Grants to States (IDEA, Part B) - Restoration	84.027	2020	<u>94,754</u>
Total Special Education-Grants to States (IDEA, Part B)			<u>653,433</u>
Special Education-Preschool Grants (IDEA Preschool)	84.173	2019	15,282
Special Education-Preschool Grants (IDEA Preschool)	84.173	2020	15,684
Special Education-Preschool Grants (IDEA Preschool) - Restoration	84.173	2020	<u>2,782</u>
Total Special Education-Preschool Grants (IDEA Preschool)			<u>33,748</u>
Total Special Education Cluster (IDEA)			<u>687,181</u>
English Language Acquisition State Grants - Title III - Language Instruction for English Learners	84.365	2020	<u>330</u>
Supporting Effective Instruction State Grants	84.367	2019	24,214
Supporting Effective Instruction State Grants	84.367	2020	<u>89,325</u>
Total Supporting Effective Instruction State Grants			<u>113,539</u>
Student Support and Academic Enrichment Program	84.424	2020	<u>38,802</u>
Total U.S. Department of Education			<u>1,481,313</u>
Total Federal Financial Assistance			<u>\$ 2,151,358</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

- (A) This schedule includes the federal award activity of the Batavia Local School District under programs of the federal government for the fiscal year ended June 30, 2020 and is prepared in accordance with the cash basis of accounting. The information on this schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Batavia Local School District, it is not intended to and does not present the financial position or changes in net position, or cash flows, of the Batavia Local School District.
- (B) CFR Section 200.414 of the Uniform Guidance allows a non-federal entity that has never received a negotiated indirect cost rate to charge a de minimis rate of 10% of modified total direct costs to indirect costs. The District has not elected to use the 10% de minimis indirect cost rate.
- (C) OAKS did not assign pass-through numbers for fiscal year 2020.
- (D) Commingled with state and local revenue from sales of breakfasts and lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) The Food Donation program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Batavia Local School District
Clermont County
800 Bauer Avenue
Batavia, Ohio 45103

To the Board of Education:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Batavia Local School District, Clermont County, Ohio, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Batavia Local School District's basic financial statements, and have issued our report thereon dated March 29, 2021, wherein we noted, as described in Note 5 to the financial statements, in 2020, a full reappraisal was done on the Batavia Local School District's capital assets, which required a prior period restatement to reflect certain adjustments to the Batavia Local School District's accounting records. Also, as described in Note 19 to the financial statements, a prior period restatement was required to reclassify locally funded initiatives activity under the Ohio Classroom Facilities Assistance Program from the Classroom Facilities Fund to the Building Fund and Bond Anticipation Note premiums were reclassified from the Classroom Facilities Fund to the Debt Service Fund. Additionally, as disclosed in Note 20 to the financial statements, in 2020, the Batavia Local School District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. Furthermore, as discussed in Note 21 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Batavia Local School District.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Batavia Local School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Batavia Local School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Batavia Local School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Batavia Local School District's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be material weaknesses. We consider findings 2020-001 through 2020-007 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Batavia Local School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2020-002 through 2020-007.

Batavia Local School District's Responses to Findings

Batavia Local School District's responses to the findings identified in our audit are described in the accompanying corrective action plan. Batavia Local School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Batavia Local School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Batavia Local School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
March 29, 2021

**Independent Auditor’s Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by the Uniform Guidance**

Batavia Local School District
Clermont County
800 Bauer Avenue
Batavia, Ohio 45103

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Batavia Local School District’s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Batavia Local School District’s major federal programs for the fiscal year ended June 30, 2020. The Batavia Local School District’s major federal programs are identified in the *Summary of Auditor’s Results* section of the accompanying schedule of findings.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Batavia Local School District’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Batavia Local School District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Batavia Local School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the fiscal year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Batavia Local School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Batavia Local School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Batavia Local School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Julian & Grube, Inc.

Julian & Grube, Inc.
March 29, 2021

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under 2 CFR §200.516(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education Cluster Title I Grants to Local Educational Agencies, CFDA #84.010
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$750,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee under 2 CFR § 200.520?</i>	No

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2020-001

Material Weakness: Financial Statement Presentation:

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

In order to properly state financial statement amounts, the following adjustments were made to the School District’s financial statements and related notes for the fiscal year ended June 30, 2020.

- Beginning fund balance restatements were necessary between the Classroom Facilities Fund, Debt Service Fund and the Building Fund to properly record proceeds of bond anticipation notes and related premium and expenditures related to the School District’s locally funded initiatives. The Building Fund beginning fund balance was increased \$3,327,784, Debt Service Fund was increased \$3,856, and the Classroom Facilities Fund was decreased \$3,331,640.
- Current year activity adjustments were necessary to properly record locally funded initiatives in the Building Fund instead of the Classroom Facilities Fund. Based on recording the activity in the proper fund, the Debt Service Fund had negative effect on fund balance in the amount of \$358,545, the Building Fund had positive effect on fund balance in the amount of \$6,648,395, and the Classroom Facilities Fund had a negative effect on fund balance in the amount of \$6,289,850. Additionally, the corresponding components of net position were adjusted to properly reflect state financial statement amounts.
- Adjustments to the financial statements required the Building Fund to be presented as an additional major fund on the audited financial statements.
- The District improperly overstated Property Taxes Receivable as of June 30, 2020, in the amount of \$1,415,645, in the Debt Service Fund. Additionally, Deferred Inflows of Resources - Property Taxes was overstated by the same amount.

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

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

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

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2020-002

Material Weakness/Noncompliance

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

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

The School District is not obtaining certified current estimated resources from the County Auditor in order to facilitate appropriations and spending by the School District. The School District did submit one to the County Auditor however the certification was not received and not followed up on by the School District.

We recommend when filing amended certificates with the County Auditor, the School District follow up to be certain it obtained the proper certification. This should facilitate the School District's appropriation and budgeting process.

Finding Number	2020-003
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Material Weakness/Noncompliance

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

The School District had total appropriations exceeding total estimated resources in the following funds:

	Appropriations	Estimated Resources	Excess
<u>Nonmajor Governmental Funds:</u>			
Student Success and Wellness Fund	\$ 437,906	\$ -	\$ (437,906)
Special Education Grant Fund	\$ 768,550	\$ 663,273	\$ (105,277)
Title I Grant Fund	\$ 641,460	\$ 585,025	\$ (56,435)
Special Education Preschool Grant Fund	\$ 33,748	\$ 20,946	\$ (12,802)
<u>Major Enterprise Fund:</u>			
Food Service Fund	\$ 935,000	\$ 891,210	\$ (43,790)

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

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2020-003 - (Continued)

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

Finding Number	2020-004
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Material Weakness/Noncompliance

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

The School District had appropriations in excess of actual resources, which consists of actual receipts and beginning unencumbered fund balance, in the following funds:

	Appropriations	Actual Resources	Excess
<u>Nonmajor Governmental Fund:</u>			
Title I Grant Fund	\$ 641,460	\$ 381,506	\$ (259,954)
<u>Major Enterprise Fund:</u>			
Food Service Fund	\$ 935,000	\$ 915,670	\$ (19,330)

By appropriating more funds than actual resources, the School District is at risk of spending more money than is available; this may result in negative fund balances.

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

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2020-005

Material Weakness/Noncompliance

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

The School District did not properly amend its appropriations throughout the fiscal year.

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

We recommend the School District comply with the Ohio Revised Code and monitor appropriations and certified resources to ensure proper budgeting and to prevent excess spending. In addition, the School District should monitor its budgetary process on a regular basis and make amendments as necessary. We recommend that the Treasurer regularly review all significant due dates of the budgeting process.

Finding Number	2020-006
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Material Weakness/Noncompliance

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

The following fund had expenditures plus outstanding encumbrances in excess of appropriations at the legal level of control:

	Appropriations		Expenditures Plus Encumbrances	Excess
<u>Nonmajor Governmental Fund:</u>				
Special Education Grant Fund	\$ 768,550	\$	879,122	\$ 110,572

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

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

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

**SCHEDULE OF FINDINGS
2 CFR § 200.515
JUNE 30, 2020**

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)	
Finding Number	2020-007

Material Weakness/Noncompliance

Ohio Revised Code Section 5705.10(I) requires money paid into any fund shall be only used for the purposes for which such fund was established.

The School District received monies related its OFCC projects which included local and non-local portions. Local portions were inadvertently recorded in the same fund as the OFCC funded portion. Additionally, Tangible Personal Property tax replacement receipts were recorded in the General Fund when they should have been recorded in the Debt Service Fund. Further, certain funds maintained negative cash fund balances and the requirements of Ohio Revised Code Section 3315.20 exceptions were not met.

The School District is overstating/understating respective fund balances when receipts are not recorded in the appropriate fund and as required. Maintaining negative fund balances in funds implies that money from one fund was used to cover the expenses of another fund. The School District should request more frequent grant reimbursements and/or provide advances from the general fund to temporarily make the funds whole, until future receipts are received.

We recommend the School District carefully review all receipts that require certain funds to be received to help ensure they are posted to the correct fund in a timely manner.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.



BATAVIA LOCAL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
JUNE 30, 2020

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-001	The School District will evaluate additional controls that could be implemented regarding financial statement presentation to help ensure all items are properly recorded. This may include additional external reviews by a qualified CPA firm to help assist and review some of the more complex transactions the School District encounters.	Fiscal Year 2021	Michael Ashmore, Treasurer
2020-002	The School District will monitor the budget on a continual basis and made modifications as necessary to ensure appropriations do not exceed estimated resources and follow up on requested amended certificates when submitted to the County Auditor but not returned.	Fiscal Year 2021	Michael Ashmore, Treasurer
2020-003	The School District will monitor the budget on a continual basis and made modifications as necessary to ensure appropriations do not exceed estimated resources and follow up on requested amended certificates when submitted to the County Auditor but not returned.	Fiscal Year 2021	Michael Ashmore, Treasurer
2020-004	The School District will monitor the budget on a continual basis and made modifications as necessary to ensure appropriations do not exceed actual resources and follow up on requested amended certificates when submitted to the County Auditor but not returned.	Fiscal Year 2021	Michael Ashmore, Treasurer

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BATAVIA LOCAL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN - (CONTINUED)
2 CFR § 200.511(c)
JUNE 30, 2020

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-005	The School District will monitor the budget on a continual basis and make modifications as necessary to ensure expenditures do not exceed appropriations.	Fiscal Year 2021	Michael Ashmore, Treasurer
2020-006	The School District will monitor the budget on a continual basis and make modifications as necessary to ensure expenditures do not exceed appropriations.	Fiscal Year 2021	Michael Ashmore, Treasurer
2020-007	The School District will request more frequently reimbursements on grants and will more closely review receipts prior to posting to help ensure recorded in the proper funds.	Fiscal Year 2021	Michael Ashmore, Treasurer



BATAVIA LOCAL SCHOOL DISTRICT

SUMMARY SCHEDULE OF PROR AUDIT FINDINGS
2 CFR § 200.511(b)
JUNE 30, 2020

Finding Number	Year Initially Occurred	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid
2019-001	2019	<u>Material Weakness - Financial Statement Presentation:</u> Management is responsible for the preparation and fair presentation of the financial statements.	No	Repeated as Finding 2020-001

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OHIO AUDITOR OF STATE KEITH FABER



BATAVIA LOCAL SCHOOL DISTRICT

CLERMONT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 5/11/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov