

U.S. Grant Joint Vocational School District
Clermont County
Regular Audit
For the Fiscal Year Ended June 30, 2011



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Dave Yost • Auditor of State

Board of Education
U.S. Grant Joint Vocational School District
718 West Plane Street
Bethel, Ohio 45106

We have reviewed the *Independent Auditor's Report* of the U.S. Grant Joint Vocational School District, Clermont County, prepared by Millhuff-Stang, CPA, Inc., for the audit period July 1, 2010 through June 30, 2011. 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 U.S. Grant Joint Vocational School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

January 26, 2012

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U.S. Grant Joint Vocational School District
Clermont County
Table of Contents
For the Fiscal Year Ended June 30, 2011

Title	Page
Independent Auditor’s Report.....	1 – 2
Management’s Discussion and Analysis.....	3 – 10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Fiduciary Net Assets – Fiduciary Funds.....	17
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund.....	18
Notes to the Basic Financial Statements.....	19 – 46
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund.....	47
Notes to the Required Supplementary Information.....	48 – 49
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	50 – 51
Independent Accountant’s Report on Applying Agreed-Upon Procedures.....	52

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Independent Auditor's Report

Board of Education
U.S. Grant Joint Vocational School District
718 West Plane Street
Bethel, Ohio 45106

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of U.S. Grant Joint Vocational School District, Clermont County (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of U.S. Grant Joint Vocational School District, Clermont County, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2011 on our consideration of the 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison for the General Fund are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

U.S. Grant Joint Vocational School District
Clermont County
Independent Auditor's Report
Page 2

As described in Note 19, the District has implemented Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

A handwritten signature in black ink, reading "Natalie Millhuff-Stang". The signature is written in a cursive, flowing style.

Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 28, 2011

**U.S. Grant Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

The discussion and analysis of U.S. Grant Joint Vocational School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- Net assets of governmental activities increased \$1,520,645 which represents a 15% increase from 2010.
- General revenues accounted for \$7,888,253 in revenue or 93% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$606,586 or 7% of total revenues of \$8,494,839.
- The District had \$6,974,194 in expenses related to governmental activities; \$606,586 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$7,888,253 were also used to provide for these programs.

Overview of the Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statements of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund is the major fund of the District.

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**U.S. Grant Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Government-wide Financial Statements, the District presents:

- **Governmental Activities** – All of the District's programs and services are reported here including instruction, support services, operation of non-instructional services and extracurricular activities.

Fund Financial Statements

The analysis of the District's major fund begins on the balance sheet. Fund financial reports provide detailed information about the District's major fund. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

Governmental Funds Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits 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 District's own programs.

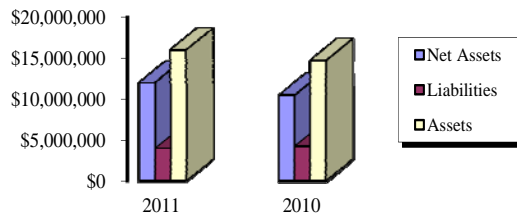
**U.S. Grant Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

The District as a Whole

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for 2011 compared to 2010:

Table 1
Net Assets

	Governmental Activities	
	2011	2010
Assets:		
Current and Other Assets	\$13,781,905	\$12,420,359
Capital Assets, Net	2,100,860	2,173,140
Total Assets	15,882,765	14,593,499
Liabilities:		
Other Liabilities	3,403,941	3,526,068
Long-Term Liabilities	563,501	672,753
Total Liabilities	3,967,442	4,198,821
Net Assets:		
Invested in Capital Assets	2,100,860	2,173,140
Restricted	636,958	877,707
Unrestricted	9,177,505	7,343,831
Total Net Assets	\$11,915,323	\$10,394,678



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$11,915,323.

At year-end, capital assets represented 13% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets at June 30, 2011, was \$2,100,860. These capital assets are used to provide services to the students and are not available for future spending.

U.S. Grant Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

A portion of the District's net assets, \$636,958 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current and other assets increased mainly due to an increase in equity in pooled cash and investments, which was largely due to an increase in investments. Other liabilities decreased mainly due to a decrease in unearned revenue, which was largely due to an increase in delinquent taxes and taxes available for advance from 2010.

Table 2 shows the changes in net assets for fiscal years 2011 and 2010.

Table 2
Changes in Net Assets

	Governmental Activities	
	2011	2010
Revenues:		
Program Revenues		
Charges for Services and Sales	\$309,764	\$381,371
Operating Grants and Contributions	296,822	302,137
General Revenues:		
Property Taxes	3,685,900	3,476,887
Grants and Entitlements	3,925,386	3,939,386
Other	276,967	292,858
Total Revenues	<u>8,494,839</u>	<u>8,392,639</u>
Program Expenses:		
Instruction	4,312,053	4,304,022
Support Services:		
Pupil and Instructional Staff	712,840	690,725
School Administrative, General		
Administration, Fiscal and Business	938,309	941,496
Operations and Maintenance	677,131	694,633
Pupil Transportation	0	200
Central	104,008	101,581
Operation of Non-Instructional Services	187,156	186,109
Extracurricular Activities	42,697	48,195
Total Program Expenses	<u>6,974,194</u>	<u>6,966,961</u>
Change in Net Assets	1,520,645	1,425,678
Beginning Net Assets	<u>10,394,678</u>	<u>8,969,000</u>
Ending Net Assets	<u>\$11,915,323</u>	<u>\$10,394,678</u>

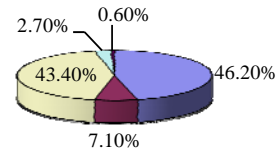
The District revenues are mainly from two sources. Property taxes levied for general purposes and grants and entitlements comprised 89.6% of the District's revenues for governmental activities.

**U.S. Grant Joint Vocational School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts do not receive additional property tax revenue from increases in appraisal values and must regularly return to the voters to maintain a constant level of service. Property taxes made up 43% of revenue for governmental activities for the District in fiscal year 2011.

<u>Revenue Sources</u>	<u>2011</u>	<u>Percent of Total</u>
General Grants	\$3,925,386	46.2%
Program Revenues	606,586	7.1%
General Tax Revenues	3,685,900	43.4%
Investment Earnings	226,276	2.7%
Other Revenues	50,691	0.6%
	<u>\$8,494,839</u>	<u>100.0%</u>



Instruction comprises 62% of governmental program expenses. Support services expenses were 35% of governmental program expenses. All other expenses were 3%.

The District saw an increase in revenues mainly due to an increase in taxes revenue (amount available for advance). Total expenses remained relatively consistent from 2010 to 2011.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**U.S. Grant Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
Instruction	\$4,312,053	\$4,304,022	(\$3,886,153)	(\$3,849,338)
Support Services:				
Pupil and Instructional Staff	712,840	690,725	(667,188)	(574,722)
School Administrative, General				
Administration, Fiscal and Business	938,309	941,496	(934,545)	(935,232)
Operations and Maintenance	677,131	694,633	(662,671)	(692,152)
Pupil Transportation	0	200	0	(200)
Central	104,008	101,581	(104,008)	(101,581)
Operation of Non-Instructional Services	187,156	186,109	(70,346)	(82,033)
Extracurricular Activities	42,697	48,195	(42,697)	(48,195)
Total Expenses	<u>\$6,974,194</u>	<u>\$6,966,961</u>	<u>(\$6,367,608)</u>	<u>(\$6,283,453)</u>

The District's Funds

Information about the District's major fund is presented in the Fund Financial Statements. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$8,585,927 and expenditures and other financing uses of \$7,103,075. The net change in fund balances for the year was \$1,482,852.

General Fund: Fund balance at June 30, 2011 was \$9,449,319 including \$9,124,838 of unassigned balance. The primary reason for the increase in fund balance is due to revenues being greater than expenses, which is consistent with the prior year.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District did not revise the budget.

For the General Fund, final budget basis revenue was \$6,927,144, which was consistent with original budget estimates.

The District's ending unobligated actual fund balance for the general fund was \$1,830,545 above the final budgeted amount.

**U.S. Grant Joint Vocational School District
Management’s Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2011, the District had \$2,100,860 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal 2011 balances compared to 2010:

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2011	2010
Land	\$100,000	\$100,000
Buildings and Improvements	994,594	1,056,390
Equipment	1,006,266	1,016,750
Total Net Capital Assets	<u>\$2,100,860</u>	<u>\$2,173,140</u>

The overall decrease in capital assets is due to current year depreciation expense and disposals exceeding current year additions.

See Note 6 to the basic financial statements for further details on the District’s capital assets.

Debt

At June 30, 2011, the District had no outstanding debt.

See Note 7 to the basic financial statements for further details on the District’s other long term liabilities.

For the Future

In June of 2005, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone, and telecommunications companies, and railroads. The tax on general business and railroad property began being phased out in 2006 and will be eliminated by 2009. The tax on telephone and telecommunication property began being phased out in 2009 and will be eliminated by 2011. The tax is being phased out by reducing the assessment rate on the property each year. In the first five years, school districts are being reimbursed fully for the lost revenue; in the following seven years, the reimbursements are phased out.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

All of the District’s financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District’s finances, management is confident that the District can continue to provide a quality education for students and provide a secure financial future.

**U.S. Grant Joint Vocational School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)**

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Patricia Patten, Treasurer at U.S. Grant Joint Vocational School District, 718 W. Plane Street, Bethel, Ohio 45106.

U.S. Grant Joint Vocational School District
Statement of Net Assets
June 30, 2011

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$10,015,522
Restricted Cash and Investments	24,056
Cash and Cash Equivalents with Fiscal Agent	27,819
Receivables:	
Taxes	3,679,602
Interest	27,463
Intergovernmental	6,267
Inventory	1,176
Nondepreciable Capital Assets	100,000
Depreciable Capital Assets, Net	<u>2,000,860</u>
Total Assets	<u>15,882,765</u>
Liabilities:	
Accounts Payable	6,352
Accrued Wages and Benefits	550,063
Unearned Revenue	2,819,707
Matured Bonds Payable	25,000
Matured Interest Payable	2,819
Long-Term Liabilities:	
Due Within One Year	125,447
Due In More Than One Year	<u>438,054</u>
Total Liabilities	<u>3,967,442</u>
Net Assets:	
Invested in Capital Assets	2,100,860
Restricted for:	
State Grants	11,275
Debt Service	37,066
Capital Projects	512,890
Other Purposes	75,727
Unrestricted	<u>9,177,505</u>
Total Net Assets	<u><u>\$11,915,323</u></u>

See accompanying notes to the Basic Financial Statements.

U.S. Grant Joint Vocational School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction:				
Regular	\$240,658	\$121,532	\$28,288	(\$90,838)
Special	136,761	0	0	(136,761)
Vocational	3,656,239	129,520	113,254	(3,413,465)
Adult/Continuing	278,395	0	33,306	(245,089)
Support Services:				
Pupil	543,308	0	36,422	(506,886)
Instructional Staff	169,532	0	9,230	(160,302)
General Administration	61,258	0	0	(61,258)
School Administration	411,519	0	3,764	(407,755)
Fiscal	462,986	0	0	(462,986)
Business	2,546	0	0	(2,546)
Operations and Maintenance	677,131	14,460	0	(662,671)
Central	104,008	0	0	(104,008)
Operation of Non-Instructional Services	187,156	44,252	72,558	(70,346)
Extracurricular Activities	42,697	0	0	(42,697)
Total Governmental Activities	<u>\$6,974,194</u>	<u>\$309,764</u>	<u>\$296,822</u>	<u>(6,367,608)</u>

General Revenues:

Property Taxes Levied for:

General Purposes	3,685,900
Grants and Entitlements not Restricted to Specific Programs	3,925,386
Investment Earnings	226,276
Other Revenues	50,691

Total General Revenues 7,888,253

Change in Net Assets 1,520,645

Net Assets Beginning of Year 10,394,678

Net Assets End of Year \$11,915,323

See accompanying notes to the Basic Financial Statements.

U.S. Grant Joint Vocational School District
Balance Sheet
Governmental Funds
June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Equity in Pooled Cash and Investments	\$9,340,901	\$674,621	\$10,015,522
Restricted Cash and Investments	24,056	0	24,056
Cash and Cash Equivalents with Fiscal Agent	0	27,819	27,819
Receivables:			
Taxes	3,679,602	0	3,679,602
Interest	27,463	0	27,463
Intergovernmental	0	6,267	6,267
Inventory	0	1,176	1,176
Total Assets	13,072,022	709,883	13,781,905
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable	6,352	0	6,352
Accrued Wages and Benefits	535,410	14,653	550,063
Compensated Absences	3,034	0	3,034
Deferred Revenue	3,077,907	0	3,077,907
Matured Bonds Payable	0	25,000	25,000
Matured Interest Payable	0	2,819	2,819
Total Liabilities	3,622,703	42,472	3,665,175
Fund Balances:			
Nonspendable	0	1,176	1,176
Restricted	24,056	258,260	282,316
Assigned	300,425	407,975	708,400
Unassigned	9,124,838	0	9,124,838
Total Fund Balances	9,449,319	667,411	10,116,730
Total Liabilities and Fund Balances	\$13,072,022	\$709,883	\$13,781,905

See accompanying notes to the Basic Financial Statements.

U.S. Grant Joint Vocational School District
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
June 30, 2011

Total Governmental Fund Balances		\$10,116,730
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
		2,100,860
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	242,495	
Interest	<u>15,705</u>	
		258,200
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		<u>(560,467)</u>
Net Assets of Governmental Activities		<u><u>\$11,915,323</u></u>

See accompanying notes to the Basic Financial Statements.

U.S. Grant Joint Vocational School District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$3,703,818	\$0	\$3,703,818
Tuition and Fees	127,224	0	127,224
Investment Earnings	210,571	0	210,571
Intergovernmental	3,953,674	268,534	4,222,208
Charges for Services	123,828	44,252	168,080
Other Revenues	24,608	53,543	78,151
Total Revenues	8,143,723	366,329	8,510,052
Expenditures:			
Current:			
Instruction:			
Regular	261,717	0	261,717
Special	133,222	0	133,222
Vocational	3,575,518	113,254	3,688,772
Adult/Continuing	246,509	33,306	279,815
Support Services:			
Pupil	503,939	36,422	540,361
Instructional Staff	164,880	1,953	166,833
General Administration	61,258	0	61,258
School Administration	402,998	3,764	406,762
Fiscal	466,494	0	466,494
Business	2,546	0	2,546
Operations and Maintenance	689,112	0	689,112
Central	101,894	0	101,894
Operation of Non-Instructional Services	0	186,592	186,592
Extracurricular Activities	42,697	0	42,697
Total Expenditures	6,652,784	375,291	7,028,075
Excess of Revenues Over (Under) Expenditures	1,490,939	(8,962)	1,481,977
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	875	0	875
Transfers In	0	75,000	75,000
Transfers (Out)	(75,000)	0	(75,000)
Total Other Financing Sources (Uses)	(74,125)	75,000	875
Net Change in Fund Balances	1,416,814	66,038	1,482,852
Fund Balances Beginning of Year, restated	8,032,505	601,373	8,633,878
Fund Balances End of Year	\$9,449,319	\$667,411	\$10,116,730

See accompanying notes to the Basic Financial Statements.

U.S. Grant Joint Vocational School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2011

Net Change in Fund Balances - Total Governmental Funds \$1,482,852

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

Governmental funds report capital asset additions as expenditures.
 However, in the statement of activities, the cost of those assets is
 allocated over their estimated useful lives as depreciation
 expense. This is the amount of the difference between capital
 asset additions and depreciation in the current period.

Capital assets used in governmental activities	183,344	
Depreciation Expense	<u>(241,749)</u>	(58,405)

Governmental funds only report the disposal of assets to the
 extent proceeds are received from the sale. In the statement
 of activities, a gain or loss is reported for each disposal. The
 amount of the proceeds must be removed and the gain or loss
 on the disposal of capital assets must be recognized. This is the
 amount of the difference between the proceeds and the gain or loss. (13,875)

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

Delinquent Property Taxes	(17,918)	
Interest	<u>15,705</u>	(2,213)

Some expenses reported in the statement of activities do not require the
 use of current financial resources and therefore are not reported as
 expenditures in governmental funds.

Compensated Absences		<u>112,286</u>
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Change in Net Assets of Governmental Activities		<u><u>\$1,520,645</u></u>
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See accompanying notes to the Basic Financial Statements.

U.S. Grant Joint Vocational School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Investments	\$10,280	\$32,958
Total Assets	10,280	32,958
Liabilities:		
Other Liabilities	0	32,958
Total Liabilities	0	\$32,958
Net Assets:		
Held in Trust	10,280	
Total Net Assets	\$10,280	

See accompanying notes to the Basic Financial Statements.

U.S. Grant Joint Vocational School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2011

	Private Purpose Trust
Additions:	
Donations	\$2,615
Investment Earnings	26
Total Additions	<u>2,641</u>
Deductions:	
Other	<u>4,273</u>
Total Deductions	<u>4,273</u>
Change in Net Assets	(1,632)
Net Assets Beginning of Year	<u>11,912</u>
Net Assets End of Year	<u><u>\$10,280</u></u>

See accompanying notes to the Basic Financial Statements.

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 1 – Description of the District

U.S. Grant Joint Vocational School District (the “District”) is organized pursuant to Section 3311.18 of the Ohio Revised Code. The District is a stand-alone government as they do not have a separately elected governing body and are not a component unit of another government. The District operates under a five member Board of Education, which is not directly elected. The Board of Education is comprised of appointed members of other elected boards from Bethel-Tate, Felicity Franklin, and Williamsburg local school districts, as well as New Richmond Exempted Village School District. The District provides educational services as authorized by State statute and/or federal guidelines.

The District was established in 1973 through the cooperation of all school districts involved. The District serves an area of approximately 40.43 square miles. It is located in Clermont County, and serves the local school districts of Bethel-Tate, Felicity Franklin, and Williamsburg, as well as New Richmond Exempted Village School District. It is staffed by approximately 11 non-certificated employees, approximately 36 certificated full-time teaching personnel and approximately 3 administrative employees who provide services to 343 students and other community members. The District currently operates one instructional building.

Reporting Entity

A reporting entity is comprised of the stand-alone government, component units and other organizations that are included to ensure that the financial statements are not misleading. The stand-alone government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For U.S. Grant Joint Vocational School District, this includes general operations, food service, adult education and student related activities of the District.

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

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

The District is associated with two jointly governed organizations, a risk sharing pool and two insurance purchasing pools. These organizations are the Hamilton Clermont Cooperative Association/Unified Purchasing Association, the Hamilton/Clermont Cooperative Association, the Schools of Ohio Risk Sharing Authority, Inc., the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Clermont County Insurance Consortium. These organizations and the District's participation are discussed in notes 13, 14 and 15 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the 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 most significant of the District's accounting policies are described below.

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

Measurement Focus

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program 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 District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust is reported using the economic resources measurement focus.

Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

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 and liabilities is reported as fund balance. The following is the District's major governmental fund:

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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary funds are a private purpose trust fund and one agency fund. The private purpose trust fund accounts for scholarship programs for students. The student managed activity agency fund accounts for those student activity programs.

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Measurable means the amount of the transaction can be determined. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are 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 year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants and interest.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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. However, debt service expenditures, as well as any expenditures related to compensated absences, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

Equity in Pooled Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Interest in the pool is presented as "Equity in Pooled Cash and Investments" on the basic financial statements. The District utilizes financial institutions to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as "Cash and Cash Equivalents with Fiscal Agent" and represents deposits.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2011. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2011.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$210,571. Interest revenue was also recorded in the Private Purpose Trust Fund in the amount of \$26.

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Investments of the cash management pool and investments with original maturities three months or less at the time they are purchased by the District are reported as cash equivalents.

Inventory

Inventories are presented at cost on a first in, first out basis and are expended/expensed when used. Inventory consists of food held for resale and consumable supplies.

Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five hundred dollars (\$500). The 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. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated, except land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is allocated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	5 - 35 years
Equipment	5 - 20 years

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for 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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

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. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Employees may accumulate unlimited sick leave. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit for the first 120 days of leave plus one day's pay for each ten sick leave days accumulated beyond 120 days.

For governmental fund financial statements, the expenditures for unpaid compensated absences are recognized when due. The related liability is recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The government-wide statement of net assets reports \$636,958 of restricted net assets, of which none is restricted by enabling legislation.

Interfund Activity

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

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “Interfund Receivables” and “Interfund Payables”. These amounts are eliminated on the governmental activities columns of the statement of net assets.

As a general rule the effect on interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

The District had no interfund receivables / payables at June 30, 2011.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories are used:

Nonspendable – resources that are not in spendable form (inventory) or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, the Board of Education.

Assigned – resources that are intended to be used for specific purposes as approved through the District’s formal purchasing procedure by the Treasurer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenses for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The District applies restricted resources first when an expense is incurred for purposes which both restricted and unrestricted fund balances are available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent amounts followed by statute to be set-aside to create a set-aside for budget stabilization.

Cash and Cash Equivalents with Fiscal Agent

Cash and Cash Equivalents with Fiscal Agent in the other governmental funds represent equity in pooled cash and investments set aside for possible future payables.

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 governmental 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 in the current year.

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.

Note 3 – Equity in Pooled Cash and Investments

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the statement of net assets and balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Inactive Monies – Those monies not required for use within the current five year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to, passbook accounts.

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but not limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAROhio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. At June 30, 2011, the District's bank balance of \$7,233,497 was either insured by the FDIC or collateralized with pooled securities held by the pledging financial institution in the manner described below.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Investments

As of June 30, 2011, the District had the following investments:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Freddie Mac	\$1,212,996	2.79
Fannie Mae	1,238,266	3.12
Money Market Funds	264,251	0.00
STAROhio	236,241	0.16
Total Fair Value	<u>\$2,951,754</u>	
Portfolio Weighted Average Maturity		2.47

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

Credit Risk – It is the 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 the highest credit quality rating issued by nationally recognized statistical rating organizations. The District’s investments in Freddie Mac, and Fannie Mae were rated AAA by Standard & Poor’s and Fitch Ratings and Aaa by Moody’s Investors Service. Investments in STAROhio and in the Money Market Funds were rated AAAM by Standard & Poor’s.

Concentration of Credit Risk – The District’s investment policy allows investments in Federal Agencies or Instrumentalities, but does not limit the amount in any one issuer. The District invested 41% in Freddie Mac, 42% in Fannie Mae, 9% in the Money Market Funds and 8% in STAROhio.

Custodial Credit Risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 4 – Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property tax) represents the collection of 2011 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after April 1, 2010, on the value as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Hamilton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2012 operations. The amount available for advance can vary based on the date the tax bills are sent.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2011. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2011 on the fund statements. The entire amount of delinquent taxes receivable is recognized as a revenue on the government-wide financial statements. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2011, was \$617,400 for General Fund and is recognized as revenue.

The assessed value, by property classification, upon which taxes collected in 2011 were based as follows:

	<u>Amount</u>
Tangible and Public Utility Personal	\$206,550,170
Real Estate	<u>736,166,310</u>
Total	<u><u>\$942,716,480</u></u>

Note 5 – Receivables

Receivables at June 30, 2011, consisted of taxes, intergovernmental grants, and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$100,000	\$0	\$0	\$100,000
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	4,561,930	0	0	4,561,930
Equipment	<u>3,053,497</u>	<u>183,344</u>	<u>151,251</u>	<u>3,085,590</u>
Totals at Historical Cost	<u>7,715,427</u>	<u>183,344</u>	<u>151,251</u>	<u>7,747,520</u>
Less Accumulated Depreciation:				
Buildings and Improvements	3,505,540	61,796	0	3,567,336
Equipment	<u>2,036,747</u>	<u>179,953</u>	<u>137,376</u>	<u>2,079,324</u>
Total Accumulated Depreciation	<u>5,542,287</u>	<u>241,749</u>	<u>137,376</u>	<u>5,646,660</u>
Governmental Activities Capital Assets, 1	<u>\$2,173,140</u>	<u>(\$58,405)</u>	<u>\$13,875</u>	<u>\$2,100,860</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Special	\$3,091
Vocational	212,591
Adult/Continuing	1,253
Support Services:	
Pupils	2,108
Instructional Staff	603
School Administration	1,167
Fiscal	2,071
Operations and Maintenance	18,063
Central	802
Total Depreciation Expense	<u>\$241,749</u>

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 7 – Long-Term Liabilities

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

	Beginning Balance	Additions	Deletions	Ending Balance	Due In One Year
Governmental Activities:					
Compensated Absences	\$672,753	\$32,654	\$141,906	\$563,501	\$125,447

Compensated Absences will be paid from the general, food service and adult basic education funds. The adult basic education fund has been presented as part of the general fund for GAAP reporting purposes.

Note 8 - Pension Plans

School Employees Retirement System of Ohio

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at www.ohsers.org under *Employers/Audit Resources*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District’s contributions to SERS for the years ended June 30, 2011, 2010, and 2009 were \$103,904, \$100,915, and \$96,889, respectively; 94% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

State Teachers Retirement System of Ohio

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options

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

DB Plan Benefits

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

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

DC Plan Benefits

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

Combined Plan Benefits

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

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

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

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

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

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

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2011, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2011, 2010, and 2009 were \$469,155, \$461,427, and \$443,468, respectively; 87% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

Note 9 - Post Employment Benefits

School Employees Retirement System of Ohio

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 depending on their income; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76%. District contributions for the years ended June 30, 2011, 2010 and 2009 were \$5,641, \$5,478 and \$5,190, respectively, which equaled the required contributions each year.

Health Care Plan

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

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2011, the health care allocation was 1.43%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$10,613, \$3,316, and \$28,789, respectively; 94% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

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

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Employers/Audit Resources*.

State Teachers Retirement System of Ohio

Plan Description

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan; a self-directed Defined Contribution Plan and a Combined Plan that is a hybrid of the Defined Benefit and the Defined Contribution Plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent *Comprehensive Annual Financial Report* by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2011, 2010 and 2009. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2011, 2010, and 2009 were \$33,511, \$32,959, and \$31,676, respectively; 87% has been contributed for fiscal year 2011 and 100% for fiscal years 2010 and 2009.

Note 10 – Contingent Liabilities

Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2011.

Litigation

The District was not involved in any litigation at year end.

Note 11 – Risk Management

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. By participating in the Schools of Ohio Risk Sharing Authority, Inc. (SORSA) (Note 13), a risk sharing pool, for liability, property, auto and crime insurance, the District has addressed these various types of risk.

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

SORSA, a non-profit corporation, was created to provide affordable liability, property, casualty and crime insurance coverage for its members. The types and amounts of coverage provided by the SORSA are as follows:

Property Coverage:	
Total Insured Values (\$1,000 occurrence deductible)	\$21,641,048
Crime Coverage:	
Employee Dishonesty/Faithful (\$1,000 occurrence deductible)	100,000
Forgery or Alteration (\$1,000 occurrence deductible)	100,000
Computer Fraud (\$1,000 occurrence deductible)	100,000
Theft Disappearance and Destruction (inside/outside)	
(\$1,000 occurrence deductible)	1,000,000
General Liability:	
Bodily Injury and Property Damage	5,000,000
Personal and Advertising Injury Limit – Each Offense	5,000,000
Products – Completed Operations Aggregate Limit	5,000,000
General Annual Aggregate	5,000,000
Fire Damage Limit – Any One Event	500,000
Medical Payments	5,000/25,000
Educators’ Legal Liability:	
Errors or Omissions Cover	1,000,000
Automobile Liability:	
Owned/Leased Vehicles	5,000,000
Hired and Non-owned Liability	Included
Medical Payments	5,000/25,000
Uninsured Motorist	1,000,000
Automobile Physical Damage	Actual Cash Value

Settled claims have not exceeded coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Workers' Compensation

For fiscal year 2011, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the 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 Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

Note 12 – Other Employee Benefits

Life and Accident Insurance

The District provides life insurance and accidental death and dismemberment insurance to full time employees through Anthem Life.

Employee Benefits

For fiscal year 2011, the District participated in the Clermont County Insurance Consortium (the Consortium) (Note 14), an insurance purchasing pool, in order to provide dental, medical, life insurance, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Consortium provides insurance policies in whole or in part through one or more group insurance policies.

Note 13 – Risk Sharing Pool

The Schools of Ohio Risk Sharing Authority, Inc. (SORSA), is a risk sharing pool serving school districts in Ohio. SORSA was formed as an Ohio non-profit corporation for the purpose of administering a joint self-insurance pool and assisting members to prevent and reduce losses and injuries to District persons and property which might result in claims being made against members of SORSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and educators' errors and omissions liability insurance.

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district's control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 8050 North High Street, Suite 160, Columbus, Ohio 43235.

Note 14 – Insurance Purchasing Pools

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, President-Elect and Immediate Past President of OSBA. The Executive Director of the OSBA, 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.

Clermont County Insurance Consortium

The Clermont County Insurance Consortium (the "Consortium"), an insurance purchasing pool, is a health trust formed to provide affordable and desirable dental, life, medical and other disability group insurance for members' 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 District pays premiums to the Clermont County Insurance Consortium, which in turn buys the insurance policies from various insurance companies.

Upon termination, the 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 District may terminate participation in the Trust upon written notice to the Consortium delivered at least sixty days prior to the annual review date of the policy. The District made \$419,582 in financial contributions to the Clermont County Insurance Consortium during fiscal year 2011. Financial information can be obtained from the Clermont County Insurance Consortium at 2400 Clermont Center Drive, Batavia, OH 45103.

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 15 – Jointly Governed Organizations

Hamilton Clermont Cooperative Association/Unified Purchasing Association

The Hamilton Clermont Cooperative Association/Unified Purchasing Association is a jointly governed organization among a two county consortium of school districts. The Unified Purchasing Cooperative was organized under the Hamilton Clermont Cooperative Association (H/CCA) to benefit member districts with a more economically sound purchasing mechanism for general school, office and cafeteria supplies. The Unified Purchasing Cooperative organization is governed by representatives from each of the governments that created the organization, but there is no ongoing financial interest or responsibility by the participating governments. The District paid \$2,611 to the Hamilton/Clermont Cooperative Association/Unified Purchasing Association during fiscal year 2011. Complete financial statements for H/CCA Unified Purchasing Association can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

Hamilton/Clermont Cooperative Association

The District is a participant in a two county consortium of school districts to operate the Hamilton/Clermont Cooperative Association (H/CCA). H/CCA is an association of public school 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 other member districts. The Board of H/CCA consists of one representative from each of the participating members. The District paid \$12,722 for services provided during the fiscal year. Complete financial statements for H/CCA can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

Note 16 – Statutory Set-Asides

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similar 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.

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set Aside Balance as of June 30, 2010	(\$2,674,858)	\$0	\$24,056
Current Year Set Aside Requirements	49,985	49,985	0
Qualified Disbursements	<u>(402,754)</u>	<u>(431,162)</u>	<u>0</u>
Total	<u><u>(\$3,027,627)</u></u>	<u><u>(\$381,177)</u></u>	<u><u>\$24,056</u></u>
Set-Aside Balance Carried Forward to Future Years	<u><u>(\$3,027,627)</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
Set-Aside Balance as of June 30, 2011	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$24,056</u></u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero for textbooks and capital acquisition, only the amount for the textbooks set-aside may be used to reduce the set-aside requirement of future years. The capital acquisition negative amount is therefore not presented as being carried forward to the next fiscal year.

Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. By resolution, the Board can eliminate the set-aside in accordance with the Act. As of June 30, 2011, the Board had not acted on the Senate Bill requirements to eliminate the set-aside balance. The District is still required by State law to maintain the textbook set-aside and the capital acquisition set-aside. Effective July 1, 2011 the District is no longer required by State law to maintain the textbook set-aside.

Note 17 – Interfund Transactions

Interfund transactions at June 30, 2011, consisted of the following:

	Transfers	
	<u>In</u>	<u>Out</u>
General Fund	\$0	\$75,000
Other Governmental Funds	<u>75,000</u>	<u>0</u>
Total All Funds	<u><u>\$75,000</u></u>	<u><u>\$75,000</u></u>

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 18 – Fund Balances

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

<u>Fund Balances</u>	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable on:			
Inventory	\$0	\$1,176	\$1,176
Total Nonspendable	0	1,176	1,176
Restricted for:			
Management Information Systems	0	8,000	8,000
Data Communication	0	1,275	1,275
Miscellaneous State Grants	0	2,000	2,000
Improving Teacher Quality	0	2	2
Food Service	0	105,002	105,002
Debt Service	0	37,066	37,066
Classroom Facilities	0	8,915	8,915
Set Asides	24,056	0	24,056
Permanent Improvements	0	96,000	96,000
Total Restricted	24,056	258,260	282,316
Assigned to:			
Permanent Improvements	0	407,975	407,975
Encumbrances	300,425	0	300,425
Total Assigned	300,425	407,975	708,400
Unassigned (Deficit)	9,124,838	0	9,124,838
Total Fund Balance	<u>\$9,449,319</u>	<u>\$667,411</u>	<u>\$10,116,730</u>

U.S. Grant Joint Vocational School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

Note 19 – Change in Accounting Principles and Restatement of Fund Balance

Change in Accounting Principles

For fiscal year 2011, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB 54 shifts the focus of fund balance reporting from the availability of fund resources for budgeting to the extent to which the District is bound to honor constraints on the specific purposes for which amounts in funds can be spent.

Restatement of Fund Balance

The implementation of GASB 54 had the following effects on fund balance of the following major and non-major (other governmental) funds of the District as they were previously reported.

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Fund Balance, June 30, 2010	\$7,748,713	\$885,165
Change in Fund Structure	283,792	(283,792)
Fund Balance, June 30, 2010 - Restated	<u>\$8,032,505</u>	<u>\$601,373</u>

This implementation had no effect on beginning net assets.

U.S. Grant Joint Vocational School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$2,825,000	\$2,825,000	\$3,309,218	\$484,218
Tuition and Fees	22,999	22,999	15,872	(7,127)
Investment Earnings	185,664	185,664	177,145	(8,519)
Intergovernmental	3,882,470	3,882,470	3,953,674	71,204
Charges for Services	2,606	2,606	14,460	11,854
Other Revenues	8,190	8,190	10,149	1,959
Total Revenues	6,926,929	6,926,929	7,480,518	553,589
Expenditures:				
Current:				
Instruction:				
Regular	315,865	315,865	260,769	55,096
Special	174,271	174,271	133,438	40,833
Vocational	4,101,791	4,101,791	3,685,772	416,019
Adult/Continuing	48,353	48,353	28,288	20,065
Support Services:				
Pupil	556,737	556,737	503,506	53,231
Instructional Staff	117,930	117,930	101,862	16,068
General Administration	94,328	94,328	61,465	32,863
School Administration	439,336	439,336	403,498	35,838
Fiscal	499,364	499,364	466,509	32,855
Business	3,215	3,215	2,546	669
Operations and Maintenance	958,384	958,384	710,645	247,739
Central	131,863	131,863	101,894	29,969
Extracurricular Activities	68,255	68,255	43,204	25,051
Total Expenditures	7,509,692	7,509,692	6,503,396	1,006,296
Excess of Revenues Over (Under) Expenditures	(582,763)	(582,763)	977,122	1,559,885
Other financing sources (uses):				
Proceeds from Sale of Assets	215	215	875	660
Transfers In	0	0	270,000	270,000
Transfers (Out)	(595,000)	(595,000)	(595,000)	0
Total Other Financing Sources (Uses)	(594,785)	(594,785)	(324,125)	270,660
Net Change in Fund Balance	(1,177,548)	(1,177,548)	652,997	1,830,545
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	8,023,727	8,023,727	8,023,727	0
Fund Balance End of Year	\$6,846,179	\$6,846,179	\$8,676,724	\$1,830,545

See accompanying notes to the required supplementary information.

U.S. Grant Joint Vocational School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2011

Note 1 – Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary schedule reflects the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary schedule reflects the amounts on the final amended certificate of estimated resources issued during the fiscal year 2011.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Board resolution during the year.

While the District is reporting financial position, results of operations and changes in fund balance 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 Balance - 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 as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a restriction, commitment, or assignment of fund balance for governmental fund types (GAAP basis).

U.S. Grant Joint Vocational School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2011

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis schedule for the general fund.

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	\$1,416,814
Revenue Accruals	(428,026)
Expenditure Accruals	238,363
Transfers In	270,000
Transfers (Out)	(520,000)
Encumbrances	(301,208)
(Excess) Deficit of Funds Combined with the General Fund for reporting purposes	<u>(22,946)</u>
Budget Basis	<u><u>\$652,997</u></u>

As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a GAAP basis. This includes the Uniform School Supplies, Rotary-Special Services, and Public School Support Funds and a portion of the Adult Education Fund. These funds were excluded from the budgetary presentation for the General Fund.

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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*

Board of Education
U.S. Grant Joint Vocational School District
718 West Plane Street
Bethel, Ohio 45106

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of U.S. Grant Joint Vocational School District, Clermont County (the District) as of and for the year ended June 30, 2011, and have issued our report thereon dated December 28, 2011, wherein we noted the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

U.S. Grant Joint Vocational School District
Clermont County

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*

Page 2

This report is intended solely for the information and use of management, the Board of Education, and others within
the District and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Natalie Millhuff-Stang". The signature is written in a cursive, flowing style.

Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 28, 2011

Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Education
U.S. Grant Joint Vocational School District
718 West Plane Street
Bethel, Ohio 45106

Ohio Revised Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether U.S. Grant Joint Vocational School District (the District) has updated its anti-harassment policy in accordance with Ohio Revised Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on July 15, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than this specified party.



Natalie Millhuff-Stang, CPA
President/Owner
Millhuff-Stang, CPA, Inc.

December 28, 2011

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Dave Yost • Auditor of State

U.S. GRANT JOINT VOCATIONAL SCHOOL DISTRICT

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 9, 2012