VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

REGULAR AUDIT

FOR THE FISCAL YEARS ENDED JUNE 30, 2017-2016

Dave Yost • Auditor of State

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY
JUNE 30, 2017 AND 2016

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SANDUSKY COUNTY
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INDEPENDENT AUDITOR'S REPORT

Vanguard-Sentinel Career and Technology Centers
Sandusky County
1306 Cedar Street
Fremont, Ohio 43420-1197

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vanguard-Sentinel Career and Technology Centers, Sandusky County, Ohio (the District), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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www.ohioauditor.gov

Opinion

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 Vanguard-Sentinel Career and Technology Centers, Sandusky County, Ohio, as of June 30, 2017 and 2016, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the years then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2018, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

April 24, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
(UNAUDITED)

The management's discussion and analysis of Vanguard-Sentinel Career and Technology Centers (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- In total, net position of governmental activities increased $1,755,936 which represents an increase of 5.23% from 2016.

- General revenues accounted for $11,369,778 in revenue or 67.51% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $5,472,095 or 32.49% of total revenues of $16,841,873.

- The District had $15,085,937 in expenses related to governmental activities; $5,472,095 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of $11,369,778 were adequate to provide for these programs.

- The District's major governmental funds are the General Fund, Permanent Improvement Fund and Classroom Facilities Fund. The General Fund had $14,667,160 in revenues and $13,154,735 in expenditures and other financing uses. During fiscal year 2017, the General Fund's fund balance increased $1,512,425 from a balance of $9,333,549 to $10,845,974.

- The Permanent Improvement Fund had $1,016,000 in revenues and other financing sources and $2,304,485 in expenditures. During fiscal year 2017, the Permanent Improvement Fund's fund balance decreased $1,288,485 from $6,520,166 to $5,231,681.

- During fiscal year 2017, the Classroom Facilities Fund's fund balance remained a deficit of $98,171.

Using these Basic 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 position* and *statement 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. In the case of the District, the General Fund, Permanent Improvement Fund and Classroom Facilities Fund are by far the most significant funds, and the only governmental funds reported as major funds.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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 2017?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. 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 statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. 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. The District's major governmental funds are the General Fund, Permanent Improvement Fund and Classroom Facilities Fund.

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* than can readily be converted to cash. The governmental fund financial 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 position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. This activity is reported in agency funds. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability.

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2017 and June 30, 2016.

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Net Position

	Governmental Activities 2017	Governmental Activities 2016
Assets		
Current and other assets	$ 25,117,333	$ 24,041,917
Capital assets, net	38,054,109	37,162,841
Total assets	63,171,442	61,204,758
Deferred outflows of resources		
Pension	3,734,642	1,727,190
Liabilities		
Current liabilities	1,318,358	1,199,541
Long-term liabilities:		
Due within one year	511,620	580,444
Due in more than one year:		
Net pension liability	21,001,543	18,104,659
Other amounts	3,655,632	4,008,670
Total liabilities	26,487,153	23,893,314
Deferred inflows of resources		
Property taxes levied for the next fiscal year	3,891,159	3,605,895
Pension	1,173,218	1,834,121
Total deferred inflows of resources	5,064,377	5,440,016
Net Position		
Net Investment in capital assets	34,690,974	33,480,161
Restricted	3,594,460	3,181,948
Unrestricted (deficit)	(2,930,880)	(3,063,491)
Total net position	$ 35,354,554	$ 33,598,618

During 2015, the District has adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2017, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $35,354,554. Of this total, a deficit of $2,930,880 is unrestricted in use.

At year-end, capital assets represented 60.24% of total assets. Capital assets include land, construction in progress, buildings and building improvements, furniture, fixtures and equipment and vehicles. Net investment in capital assets at June 30, 2017, was $34,690,974. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net position, $3,594,460, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of $2,930,880. The deficit balance of unrestricted net position was the result of reporting the net pension liability required by GASB 68.

The table below shows the change in net position for fiscal years 2017 and 2016.

Change in Net Position

	Governmental Activities 2017	Governmental Activities 2016
Revenues		
Program revenues:		
Charges for services and sales	$ 1,330,042	$ 1,311,962
Operating grants and contributions	4,142,053	3,039,070
General revenues:		
Property taxes	4,487,014	4,523,438
Payment in lieu of taxes	25,250	-
Grants and entitlements	6,579,300	6,751,583
Investment earnings	141,797	230,180
Other	136,417	71,012
Total revenues	16,841,873	15,927,245

-Continued

Change in Net Position

	Governmental Activities 2017	Governmental Activities 2016
Expenses		
Program expenses:		
Instruction:		
Regular	108,333	96,512
Special	119,714	118,996
Vocational	9,109,649	8,397,097
Adult/continuing	444,687	247,965
Support services:		
Pupil	626,207	586,716
Instructional staff	793,857	869,769
Board of education	63,792	65,290
Administration	1,135,931	1,060,352
Fiscal	499,196	578,531
Operations and maintenance	1,666,831	1,454,969
Pupil transportation	122,985	45,962
Central	80,440	11,208
Operations of non-instructional services:		
Other non-instructional services	66,423	66,423
Food service operations	170,163	167,239
Extracurricular activities	10,117	8,408
Interest and fiscal charges	67,612	75,892
Total expenses	15,085,937	13,851,329
Change in net position	1,755,936	2,075,916
Net position at beginning of year	33,598,618	31,522,702
Net position at end of year	$ 35,354,554	$ 33,598,618

Governmental Activities

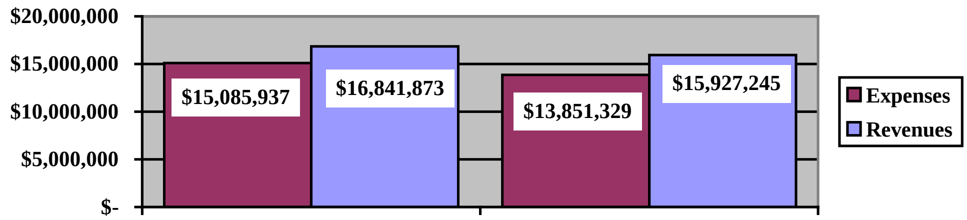
Net position of the District's governmental activities increased $1,755,936. Total governmental expenses of $15,085,937 were offset by program revenues of $5,472,095 and general revenues of $11,369,778. Program revenues supported 36.27% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, payment in lieu of taxes and unrestricted grants and entitlements. These revenue sources represent 65.86% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled $9,782,383 or 64.84% of total governmental expenses for fiscal year 2017.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2017 and 2016.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental 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 grants and entitlements.

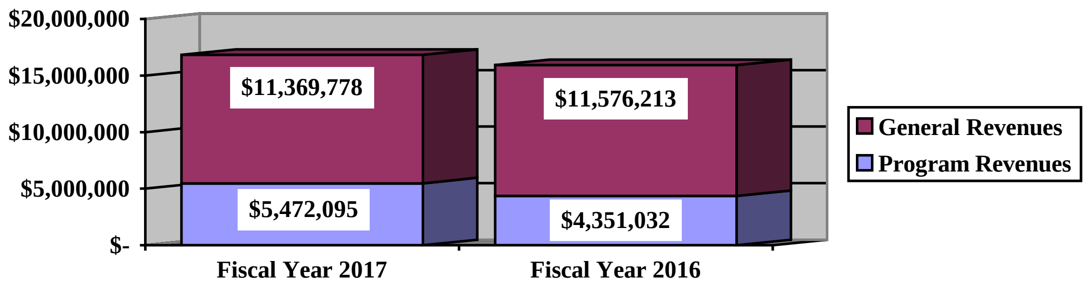
Governmental Activities

	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Program expenses				
Instruction:				
Regular	$ 108,333	$ 108,333	$ 96,512	$ 96,512
Special	119,714	119,714	118,996	118,996
Vocational	9,109,649	4,736,572	8,397,097	5,072,626
Adult/continuing	444,687	(202,306)	247,965	(322,830)
Support services:				
Pupil	626,207	546,171	586,716	508,879
Instructional staff	793,857	694,750	869,769	770,198
Board of education	63,792	63,792	65,290	65,290
Administration	1,135,931	1,071,876	1,060,352	984,031
Fiscal	499,196	499,196	578,531	578,531
Operations and maintenance	1,666,831	1,612,173	1,454,969	1,399,927
Pupil transportation	122,985	122,985	45,962	45,962
Central	80,440	80,440	11,208	11,208
Operations of non-instructional services:				
Other non-instructional services	66,423	66,423	66,423	66,423
Food service operations	170,163	15,994	167,239	20,244
Extracurricular activities	10,117	10,117	8,408	8,408
Interest and fiscal charges	67,612	67,612	75,892	75,892
Total expenses	$ 15,085,937	$ 9,613,842	$ 13,851,329	$ 9,500,297

The dependence upon tax and other general revenues for governmental activities is apparent; 48.68% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 63.73%. The District's taxpayers and State funding are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2017 and 2016.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of $18,853,263, which is more than last year's total of $18,296,928. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2017 and 2016.

	Fund Balance (deficit) June 30, 2017	Fund Balance (deficit) June 30, 2016	Increase (decrease)	Percentage Change
General	$ 10,845,974	$ 9,333,549	$ 1,512,425	16.20 %
Permanent Improvement	5,231,681	6,520,166	(1,288,485)	(19.76) %
Classroom Facilities	(98,171)	(98,171)	-	- %
Other Governmental	2,873,779	2,541,384	332,395	13.08 %
Total	$ 18,853,263	$ 18,296,928	$ 556,335	3.04 %

General Fund

The District's General Fund balance increased $1,512,425 or 16.20%.

The table that follows assists in illustrating the financial activities and fund balance of the General Fund.

	2017 Amount	2016 Amount	Increase (Decrease)	Percentage Change
Revenues				
Taxes	$ 4,545,206	$ 4,513,417	$ 31,789	0.70 %
Tuition	425,685	401,836	23,849	5.94 %
Earnings on investments	115,962	233,584	(117,622)	(50.36) %
Intergovernmental	9,042,756	8,951,176	91,580	1.02 %
Other revenues	537,551	515,628	21,923	4.25 %
Total	$ 14,667,160	$ 14,615,641	$ 51,519	0.35 %
Expenditures				
Instruction	$ 7,370,683	$ 7,203,846	$ 166,837	2.32 %
Support services	4,282,875	4,033,305	249,570	6.19 %
Extracurricular activities	10,117	8,408	1,709	20.33 %
Debt service	81,739	89,214	(7,475)	(8.38) %
Total	$ 11,745,414	$ 11,334,773	$ 410,641	3.62 %

The District's revenues in fiscal year 2017 increased $51,519 or 0.35%. Earnings on investment decreased $117,622 or 50.36% primarily due to a decrease in interest rates in the current fiscal year. The District's expenditures remained consistent with an increase of $410,641 or 3.62% in the current fiscal year. All other revenues and expenditures remained comparable to the prior year.

Permanent Improvement Fund

The Permanent Improvement Fund had $1,016,000 in revenues and other financing sources and $2,304,485 in expenditures. During fiscal year 2017, the Permanent Improvement Fund's fund balance decreased $1,288,485 from $6,520,166 to $5,231,681 primarily due to transfers in from the General Fund of $1,000,000, which was a decrease over prior year transfers in of $1,800,000.

Classroom Facilities Fund

During fiscal year 2017, the Classroom Facilities Fund's fund balance remained a deficit of $98,171.

General Fund Budgeting Highlights

The District's budget is prepared per Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

During fiscal year 2017, the District amended its General Fund budget several times. For the General Fund, original budgeted revenues were $14,440,195 and final budgeted revenues and other financing sources were $14,703,162. Actual revenues and other financing sources for fiscal year 2017 were $14,703,162.

General Fund original appropriations (appropriated expenditures including other financing uses) were $15,170,074 and the final appropriations were $15,370,073. The actual budget basis expenditures and other financing uses for fiscal year 2017 totaled $13,616,669, which was $1,753,404 less than the final budget appropriations, due to controls on spending.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2017, the District had $38,054,109 invested in land, construction in progress, buildings and building improvements, furniture, fixtures and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2017 balances compared to 2016:

Capital Assets at June 30, 2017
(Net of Depreciation)

	Governmental Activities	
	2017	2016
Land	$ 795,737	$ 795,737
Construction in progress	1,027,487	-
Building and building improvements	34,549,981	35,258,550
Furniture, fixtures and equipment	1,318,850	902,209
Vehicles	362,054	206,345
Total	$ 38,054,109	$ 37,162,841

The overall increase in capital assets of $891,268 is due to capital outlays of $2,449,899 exceeding depreciation expense of $1,558,631 in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2017, the District had $3,290,000 in qualified school construction bond certificates of participation outstanding and $1,394 in capital lease obligations outstanding. Of this total, $386,394 is due within one year and $2,905,000 is due in more than one year. The following table summarizes the outstanding debt at year end.

Outstanding Debt, at Fiscal Year End

	Governmental Activities 2017	Governmental Activities 2016
2010 Certificates of Participation	$ 3,290,000	$ 3,665,000
Capital lease obligations	1,394	17,680
Total	$ 3,291,394	$ 3,682,680

At June 30, 2017, the District's overall legal debt margin was $292,291,359, and an unvoted debt margin of $3,247,682.

See Note 10 to the basic financial statements for additional information on the District's long-term obligations.

Current Financial Related Activities

The District remains financially stable despite the uncertainty of future State funding. The District is primarily a residential/farming community covering 13 public school districts in nine northwest Ohio counties.

Over the past several years, the District has maintained a strong financial position. The District has not been on the ballot for operating funds since 1970. The current five-year forecast indicates the District will not need to request additional operating funds.

The District negotiated a new labor contract with its certified employees in 2017 and the current agreement ends June 30, 2020.

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 that the District is accountable for the money it receives. If you have questions about this report or need additional financial information contact Mr. Alan Binger, Treasurer, Vanguard-Sentinel Career and Technology Centers, 1306 Cedar Street, Fremont, Ohio 43420-1197, or email at abinger@vsctc.org.

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
Assets:	
Equity in pooled cash and investments	$ 19,157,095
Receivables:	
Property taxes	4,703,967
Accounts	7,153
Accrued interest	57,065
Intergovernmental	1,113,867
Prepayments	65,268
Inventory held for resale	12,918
Capital assets:	
Nondepreciable capital assets	1,823,224
Depreciable capital assets, net	36,230,885
Capital assets, net	38,054,109
Total assets	63,171,442
Deferred outflows of resources:	
Pension - STRS	2,962,004
Pension - SERS	772,638
Total deferred outflows of resources	3,734,642
Liabilities:	
Accounts payable	158,999
Contracts payable	71,741
Accrued wages and benefits payable	881,373
Pension and postemployment benefits	152,243
Intergovernmental payable	48,969
Accrued interest payable	5,033
Long-term liabilities:	
Due within one year	511,620
Due in more than one year:	
Net pension liability	21,001,543
Other amounts due in more than one year	3,655,632
Total liabilities	26,487,153
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	3,891,159
Pension - STRS	1,154,243
Pension - SERS	18,975
Total deferred inflows of resources	5,064,377
Net position:	
Net investment in capital assets	34,690,974
Restricted for:	
Capital projects	611,807
Classroom facilities maintenance	2,171,830
Adult education	462,318
Vocational education	109,485
Food service operations	67,252
Other purposes	171,768
Unrestricted (deficit)	(2,930,880)
Total net position	$ 35,354,554

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Governmental Activities**
Governmental activities:				
Instruction:				
Regular	$ 108,333	$ -	$ -	$ (108,333)
Special	119,714	-	-	(119,714)
Vocational	9,109,649	762,911	3,610,166	(4,736,572)
Adult/continuing	444,687	436,075	210,918	202,306
Support services:				
Pupil	626,207	-	80,036	(546,171)
Instructional staff	793,857	-	99,107	(694,750)
Board of education	63,792	-	-	(63,792)
Administration	1,135,931	1,779	62,276	(1,071,876)
Fiscal	499,196	-	-	(499,196)
Operations and maintenance	1,666,831	54,658	-	(1,612,173)
Pupil transportation	122,985	-	-	(122,985)
Central	80,440	-	-	(80,440)
Operation of non-instructional services:				
Other non-instructional services	66,423	-	-	(66,423)
Food service operations	170,163	74,619	79,550	(15,994)
Extracurricular activities	10,117	-	-	(10,117)
Interest and fiscal charges	67,612	-	-	(67,612)
Total governmental activities	$ 15,085,937	$ 1,330,042	$ 4,142,053	(9,613,842)
		General revenues:		
		Property taxes levied for:		
		General purposes		4,487,014
		Payments in lieu of taxes		25,250
		Grants and entitlements not restricted to specific programs		6,579,300
		Investment earnings		141,797
		Miscellaneous		136,417
		Total general revenues		11,369,778
		Change in net position		1,755,936
		Net position at beginning of year		33,598,618
		Net position at end of year		$ 35,354,554

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Permanent Improvement	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash					
and investments	$ 10,995,355	$ 5,310,577	$ -	$ 2,851,163	$ 19,157,095
Receivables:					
Property taxes	4,703,967	-	-	-	4,703,967
Accounts	7,153	-	-	-	7,153
Intergovernmental	28,705	-	709,978	375,184	1,113,867
Accrued interest	57,065	-	-	-	57,065
Interfund loans	142,157	-	-	-	142,157
Prepayments	61,292	-	-	3,976	65,268
Inventory held for resale	3,228	-	-	9,690	12,918
Total assets	$ 15,998,922	$ 5,310,577	$ 709,978	$ 3,240,013	$ 25,259,490
Liabilities:					
Accounts payable	$ 99,590	$ 7,155	$ -	$ 52,254	$ 158,999
Contracts payable	-	71,741	-	-	71,741
Accrued wages and benefits payable	789,926	-	-	91,447	881,373
Compensated absences payable	35,497	-	-	-	35,497
Intergovernmental payable	47,686	-	-	1,283	48,969
Pension and postemployment benefits	121,429	-	-	30,814	152,243
Interfund loans payable	-	-	98,171	43,986	142,157
Total liabilities	1,094,128	78,896	98,171	219,784	1,490,979
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	3,891,159	-	-	-	3,891,159
Delinquent property tax revenue not available	121,140	-	-	-	121,140
Intergovernmental revenue not available	4,083	-	709,978	146,450	860,511
Accrued interest not available	42,438	-	-	-	42,438
Total deferred inflows of resources	4,058,820	-	709,978	146,450	4,915,248
Fund balances:					
Nonspendable:					
Prepaids	61,292	-	-	3,976	65,268
Restricted:					
Adult education	-	-	-	489,468	489,468
Classroom facilities maintenance	-	-	-	2,171,546	2,171,546
Food service operations	-	-	-	75,526	75,526
Vocational education	-	-	-	109,485	109,485
Other purposes	-	-	-	50,646	50,646
Committed:					
Student and staff support	500	-	-	-	500
Student instruction	116,576	-	-	-	116,576
Assigned:					
Student instruction	174,849	-	-	-	174,849
Student and staff support	151,760	-	-	-	151,760
Debt service	-	3,290,000	-	-	3,290,000
Subsequent year's appropriations	742,582	-	-	-	742,582
Capital improvements	-	1,941,681	-	-	1,941,681
Other purposes	185,380	-	-	-	185,380
Unassigned (deficit)	9,413,035	-	(98,171)	(26,868)	9,287,996
Total fund balances (deficit)	10,845,974	5,231,681	(98,171)	2,873,779	18,853,263
Total liabilities, deferred inflows of resources					
and fund balances	$ 15,998,922	$ 5,310,577	$ 709,978	$ 3,240,013	$ 25,259,490

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2017

Total governmental fund balances		$ 18,853,263
Amounts reported for governmental activities on the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		38,054,109
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	$ 121,140	
Accrued interest receivable	42,438	
Intergovernmental receivable	860,511	
Total		1,024,089
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(5,033)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows of resources - pension	3,734,642	
Deferred inflows of resources - pension	(1,173,218)	
Net pension liability	(21,001,543)	
Total		(18,440,119)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
2010 Certifications of participation	3,290,000	
Capital lease obligations	1,394	
Compensated absences	840,361	
Total		(4,131,755)
Net position of governmental activities		$ 35,354,554

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General	Permanent Improvement	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Property taxes	$ 4,545,206	$ -	$ -	$ -	$ 4,545,206
Payment in lieu of taxes	25,250	-	-	-	25,250
Tuition	425,685	-	-	427,338	853,023
Earnings on investments	115,962	-	-	426	116,388
Charges for services	-	-	-	74,619	74,619
Classroom materials and fees	117,738	-	-	10,516	128,254
Rental income	38,658	16,000	-	-	54,658
Contributions and donations	28,490	-	-	-	28,490
Contract services	60,616	-	-	-	60,616
Other local revenues	266,799	-	-	10,997	277,796
Intergovernmental - state	9,042,756	-	-	1,116,961	10,159,717
Intergovernmental - federal	-	-	-	411,997	411,997
Total revenues	14,667,160	16,000	-	2,052,854	16,736,014
Expenditures:					
Current:					
Instruction:					
Regular	105,467	-	-	-	105,467
Special	116,345	-	-	-	116,345
Vocational	7,148,871	-	-	898,822	8,047,693
Adult/continuing	-	-	-	701,588	701,588
Support services:					
Pupil	497,558	-	-	81,105	578,663
Instructional staff	707,935	-	-	100,413	808,348
Board of education	63,240	-	-	-	63,240
Administration	1,002,489	-	-	64,760	1,067,249
Fiscal	453,101	-	-	-	453,101
Operations and maintenance	1,433,407	-	-	140,220	1,573,627
Pupil transportation	37,045	192,048	-	-	229,093
Central	88,100	-	-	-	88,100
Operation of non-instructional services:					
Food service operations	-	-	-	140,095	140,095
Extracurricular activities	10,117	-	-	-	10,117
Facilities acquisition and construction	-	1,737,437	-	-	1,737,437
Debt service:					
Principal retirement	13,594	375,000	-	2,692	391,286
Interest and fiscal charges	68,145	-	-	85	68,230
Total expenditures	11,745,414	2,304,485	-	2,129,780	16,179,679
Excess (deficiency) of revenues over (under) expenditures	2,921,746	(2,288,485)	-	(76,926)	556,335
Other financing sources (uses):					
Transfers in	-	1,000,000	-	409,321	1,409,321
Transfers (out)	(1,409,321)	-	-	-	(1,409,321)
Total other financing sources (uses)	(1,409,321)	1,000,000	-	409,321	-
Net change in fund balances	1,512,425	(1,288,485)	-	332,395	556,335
Fund balances (deficit) at beginning of year	9,333,549	6,520,166	(98,171)	2,541,384	18,296,928
Fund balances (deficit) at end of year	$ 10,845,974	$ 5,231,681	$ (98,171)	$ 2,873,779	$ 18,853,263

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

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, 2017

Net change in fund balances - total governmental funds		$ 556,335
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	$ 2,449,899	
Current year depreciation	(1,558,631)	
Total		891,268
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(58,192)	
Earnings on investments	25,835	
Intergovernmental	141,636	
Total		109,279
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Certifications of participation	375,000	
Capital leases	16,286	
Total		391,286
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in less interest being reported in the statement of activities:		
Decrease in accrued interest payable		618
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		1,006,242
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(1,234,771)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		35,679
Change in net position of governmental activities		$ 1,755,936

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
From local sources:				
Property taxes	$ 4,500,290	$ 4,560,386	$ 4,560,386	$ -
Payment in lieu of taxes	24,823	25,250	25,250	-
Tuition	445,605	453,276	453,276	-
Earnings on investments	178,770	181,847	181,847	-
Classroom materials and fees	101,156	102,897	102,897	-
Rental income	38,004	38,658	38,658	-
Other local revenues	269,117	273,750	273,750	-
Intergovernmental - state	8,882,430	9,035,334	9,035,334	-
Total revenues	14,440,195	14,671,398	14,671,398	-
Expenditures:				
Current:				
Instruction:				
Regular	1,370,097	106,787	104,322	2,465
Special	136,737	150,937	116,871	34,066
Vocational	7,705,229	8,521,839	7,418,029	1,103,810
Support services:				
Pupil	470,609	526,477	498,559	27,918
Instructional staff	654,120	739,807	716,176	23,631
Board of education	135,214	143,186	71,139	72,047
Administration	894,423	1,007,102	977,776	29,326
Fiscal	583,114	576,722	493,706	83,016
Operations and maintenance	1,681,189	1,854,581	1,547,345	307,236
Pupil transportation	105,221	111,680	57,642	54,038
Central	80,252	93,789	87,751	6,038
Extracurricular activities	9,291	10,000	6,330	3,670
Debt service:				
Interest and fiscal charges	60,257	67,845	67,716	129
Total expenditures	13,885,753	13,910,752	12,163,362	1,747,390
Excess of revenues over expenditures	554,442	760,646	2,508,036	1,747,390
Other financing sources (uses):				
Refund of prior year's expenditures	-	72	72	-
Transfers (out)	(1,209,321)	(1,409,321)	(1,409,321)	-
Advances in	-	30,000	30,000	-
Advances (out)	(75,000)	(50,000)	(43,986)	6,014
Sale of capital assets	-	1,692	1,692	-
Total other financing sources (uses)	(1,284,321)	(1,427,557)	(1,421,543)	6,014
Net change in fund balance	(729,879)	(666,911)	1,086,493	1,753,404
Fund balance at beginning of year	8,462,125	8,462,125	8,462,125	-
Prior year encumbrances appropriated	727,163	727,163	727,163	-
Fund balance at end of year	$ 8,459,409	$ 8,522,377	$ 10,275,781	$ 1,753,404

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

		Agency
Assets:		
Equity in pooled cash		
and investments	$	47,856
Receivables:		
Accounts		160
Intergovernmental.		6,547
Total assets.	$	54,563
Liabilities:		
Accounts payable.	$	1,173
Due to students.		53,390
Total liabilities	$	54,563

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Vanguard-Sentinel Career and Technology Centers (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code. The District operates under an appointed Board of Education consisting of 13 members. Each participating exempted village, local and city school district has one representative on the Board of Education. The District provides educational services as authorized by State statute and/or Federal guidelines.

The District was established in 1965 for the purpose of providing vocational education to students in Sandusky County. Clyde, Fremont, Gibsonburg, and Lakota School Districts were the initial districts. The first students attended the District in September 1968. Port Clinton City School District joined in 1971 and Old Fort in 1975. In 1985, a new building was opened in Tiffin, Ohio to provide vocational education to students in Seneca and Wyandot counties. Member districts of the Sentinel Career Center in Tiffin are: Fostoria, Hopewell-Loudon, Mohawk, New Riegel, Seneca East, Tiffin City and Upper Sandusky schools.

The District serves an area of approximately 1,600 square miles with an enrollment of 749 students. The District employed 12 administrative and supervisory personnel, 73 certified employees and 30 non-certified employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District's significant accounting policies are described below

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

JOINTLY GOVERNED ORGANIZATIONS

<u>The Northern Ohio Educational Computer Association</u>
The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among thirty-six area school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among members. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions. The NOECA assembly consists of a superintendent from each participating school and representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two Assembly members from each county in which participating schools are located. The degree of control exercised by any participating school is limited to its representation on the Board. The District paid $23,470 to NOECA for services during fiscal year 2017. Financial information can be obtained by contacting Matthew Bauer, who serves as controller, at 219 Howard Drive, Sandusky, Ohio 44870.

INSURANCE POOLS

<u>Better Business Bureau of Central Ohio's Workers' Compensation Group Retrospective Rating Plan</u>
The District participates in the Better Business Bureau Group Retrospective Rating Plan Program (the GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by Sheakley Uniservice Inc. Sheakley Uniservice Inc. serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the cost of administering the program. Refer to Note 11 for further information on the GRP.

<u>San-Ott Schools Employee Welfare Benefit Association</u>
The District has joined together with other school districts in the area to form the San-Ott Schools Employee Welfare Benefit Association (the Association), whose purpose is to provide health coverage and benefits to and for the eligible employees of Association members and their dependents. The District pays premiums to the Association based upon the benefits structure selected. The Association will be self-sustaining through member premiums and will reinsure through commercial companies for specific claims in excess of $150,000 and aggregate claims in excess of 120 percent of expected claims.

B. Basis of Presentation and Measurement Focus

The District's basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

<u>*Government-wide Financial Statements*</u> - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Agency funds do not report a measurement focus as they do not report operations.

C. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types. The District has no proprietary funds.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses 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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

General Fund - The General Fund is used to account for and report all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the

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

Permanent Improvement Fund - The Permanent Improvement Fund accounts for resources transferred from the General Fund to be used for acquisition, construction, or improvement of capital facilities.

Classroom Facilities Fund - The Classroom Facilities Fund is used to account for financial resources and expenditures related to the school facilities construction and renovation project.

Other governmental funds of the District are used to account for specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. 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 not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for various student-managed activities.

D. 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 use the accrual basis of accounting.

Revenues - Exchange and Nonexchange 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. 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, include 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 fiscal 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 fiscal year end: property taxes available as an advance, tuition, grants, interest and charges for services.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Note 12 for deferred outflows of resources related the District's net pension liability

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2017, but which were levied to finance fiscal year 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, See Note 12 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of 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 the Board of Education may appropriate. The appropriations resolution is the 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 budgetary control selected by the Board is at the object level within each fund. Any budgetary modifications at this level may only be made by the Board. Budgetary allocations at the function level within a fund are made by the District Treasurer.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect 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 statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment 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 fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2017, investments were limited to negotiable and non-negotiable certificates of deposit, investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), commercial paper, U.S. Government money markets and federal agency securities. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The District measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For fiscal year 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2017 amounted to $115,962, which includes $53,028 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the

District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

G. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered nonspendable in an amount equal to the carrying value of the asset on the fund financial statements.

H. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis. Inventory is recorded as an expenditure/expense when used.

On the fund financial statements, reported materials and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of donated and purchased food.

I. Budget Stabilization Arrangement

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2017, the balance in the budget stabilization reserve was $615,909. This amount is included in unassigned fund balance of the General Fund and in unrestricted net position on the statement of net position.

J. Capital Assets

All of the District’s capital assets are general capital assets resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position, but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are valued at acquisition cost. The District maintains a capitalization threshold of two-thousand-dollars. The District does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

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

Description	Useful Lives
Buildings and Building Improvements	40 years
Furniture, Fixtures and Equipment	5 - 15 years
Vehicles	5 years

K. Interfund Balances

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

L. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's 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. Sick leave benefits are accrued as a liability using the vesting payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. The District records a liability for accumulated unused sick leave for all employees with at least twenty years of service or any amount of service and at least forty-five years of age.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Certificates of participation and leases are recognized as a liability on the fund financial statements when due.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its 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 amount restricted for other purposes represents amounts restricted for food service.

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

O. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

P. 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 basic financial statements.

Interfund activities between governmental funds are eliminated in the statement of activities.

Q. Pensions

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2017.

S. Fair Market Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

T. 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 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2017, the District has implemented GASB Statement No. 77, "*Tax Abatement Disclosures*", GASB Statement No. 78, "*Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*", GASB Statement No. 80, "*Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*" and GASB Statement No. 82, "*Pension Issues - An Amendment of GASB Statements No. 67, No. 68 and No. 73*".

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. These disclosures were incorporated in the District's fiscal year 2017 financial statements (see Note 20); however, there was no effect on beginning net position/fund balance.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the District.

GASB Statement No. 80 improves the financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement applies to component units that are organized as not-for-profit corporations in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the District.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2017 included the following individual fund deficits:

Major funds	Deficit
Classroom Facilities	$ 98,171
Nonmajor funds	
Adult Basic Education	8,156
Vocational Education	18,102

The General Fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain banker’s acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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.

A. Cash on Hand

At year-end, the District had $612 in undeposited cash on hand, which includes $537 in change funds. These monies are included on the financial statements of the District as part of "equity in pooled cash and investments."

B. Deposits with Financial Institutions

At June 30, 2017, the carrying amount of all District deposits was $4,722,389, which includes $4,559,722 in non-negotiable certificates of deposit. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2017, $1,683,526 of the District's bank balance of $4,970,714 was exposed to custodial risk as discussed below, while $3,287,188 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2017, the District had the following investments and maturity:

		Investment Maturities				
Measurement/ Investment type	Measurement Value	6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
Amortized:						
STAR Ohio	$ 3,121,735	$ 3,121,735	$ -	$ -	$ -	$ -
Fair Value:						
FNMA	3,733,645	-	319,104	-	1,268,549	2,145,992
FHLB	996,725	-	-	-	499,825	496,900
FFCB	496,300	-	-	-	-	496,300
Commercial paper	4,096,751	522,322	3,574,429	-	-	-
Negotiable CD's	1,981,748	-	486,656	744,855	-	750,237
U.S. Government money market mutual fund	55,046	55,046	-	-	-	-
Total	$ 14,481,950	$ 3,699,103	$ 4,380,189	$ 744,855	$ 1,768,374	$ 3,889,429

The weighted average maturity of investments is 1.35 years.

The District’s investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs).

The District’s investments in federal agency securities, negotiable certificates of deposit and commercial paper are valued using quoted market prices that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District’s investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: The District’s investments in federal agency securities were rated AA+ and Aaa by Moody’s Investor Services and Standard & Poor’s, respectively. Standard & Poor’s has assigned STAR Ohio an AAAm money market rating. Commercial paper investments were rated AAA by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The U.S. Government money market was not rated. The negotiable certificates of deposit are fully covered by FDIC and are not rated. The District’s investment policy does not address investment credit risk beyond the requirements of State statutes.

Custodial Credit Risk: For an investment, 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 investment or collateral securities that are in the possession of an outside party. The federal agency securities and commercial paper are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty’s trust department or agent, but not in the District’s name. The District’s investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Requirements in State statute prohibit payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board or qualified trustee.

Concentration of Credit Risk: The District places no dollar limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2017:

Measurement/ Investment type	Measurement Amount	% of Total
STAR Ohio	$ 3,121,735	21.56
FNMA	3,733,645	25.78
FHLB	996,725	6.88
FFCB	496,300	3.43
Commercial paper	4,096,751	28.29
Negotiable CD's	1,981,748	13.68
U.S. Government money market mutual fund	55,046	0.38
Total	$ 14,481,950	100.00

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2017:

Cash and investments per note	
Carrying amount of deposits	$ 4,722,389
Investments	14,481,950
Cash on hand	612
Total	$ 19,204,951

Cash and investments per statement of net position	
Governmental activities	$ 19,157,095
Agency funds	47,856
Total	$ 19,204,951

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2017 as reported on the fund financial statements, consist of the following individual interfund loans receivable and payable:

Receivable fund	Payable funds	Amount
General fund	Classroom Facilities Fund	$ 98,171
General fund	Nonmajor governmental funds	43,986
Total		$ 142,157

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2017 are reported on the statement of net position.

B. Interfund transfers for the year ended June 30, 2017, consisted of the following, as reported on the fund financial statements:

Transfers from General Fund to:	Amount
Permanent Improvement Fund	$ 1,000,000
Nonmajor governmental funds	409,321
Total	$ 1,409,321

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Real property taxes received in calendar year 2017 were levied after April 1, 2016, on the assessed values as of January 1, 2016, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2017 represent the collection of calendar year 2016 taxes. Public utility real and personal property taxes received in calendar year 2017 became a lien on December 31, 2015, were levied after April 1, 2016, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from nine counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2017, are available to finance fiscal year 2017 operations. The amount available as an advance at June 30, 2017 was $691,668 in the General Fund. This amount is recorded as revenue. The amount available for advance at June 30, 2016 was $706,848 in the General Fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2017 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

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

	2016 Second Half Collections		2017 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	$ 3,004,856,510	94.50	$ 3,029,897,890	93.29
Public utility personal	174,955,710	5.50	217,783,880	6.71
Total	$ 3,179,812,220	100.00	$ 3,247,681,770	100.00
Tax rate per $1,000 of assessed valuation	$1.60		$1.60	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2017 consisted of property taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. 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. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:	
Property taxes	$ 4,703,967
Accounts	7,153
Accrued interest	57,065
Intergovernmental	1,113,867
Total	$ 5,882,052

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected in subsequent years.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance 06/30/16	Additions	Deductions	Balance 06/30/17
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 795,737	$ -	$ -	$ 795,737
Construction in progress	-	1,027,487	-	1,027,487
Total capital assets, not being depreciated	795,737	1,027,487	-	1,823,224
Capital assets, being depreciated:				
Buildings and building improvements	46,198,608	420,260	-	46,618,868
Furniture, fixtures and equipment	4,646,804	743,389	(95,602)	5,294,591
Vehicles	781,809	258,763	(51,245)	989,327
Total capital assets, being depreciated	51,627,221	1,422,412	(146,847)	52,902,786
Less: accumulated depreciation				
Buildings and building improvements	(10,940,058)	(1,128,829)	-	(12,068,887)
Furniture, fixtures and equipment	(3,744,595)	(326,748)	95,602	(3,975,741)
Vehicles	(575,464)	(103,054)	51,245	(627,273)
Total accumulated depreciation	(15,260,117)	(1,558,631)	146,847	(16,671,901)
Governmental activities capital assets, net	$ 37,162,841	$ 891,268	$ -	$ 38,054,109

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Vocational	$ 1,310,731
Adult/continuing	35,243
Support services:	
Pupil	8,025
Administration	14,679
Fiscal	11,051
Operations and maintenance	15,498
Pupil transportation	75,432
Operation of non-instructional services	66,423
Food service operations	21,549
Total depreciation expense	$ 1,558,631

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior fiscal years, the District entered into lease agreements to acquire copiers and copier equipment. Lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds.

Capital assets consisting of equipment have been capitalized in the amount of $73,364. As of June 30, 2017, the equipment has been fully depreciated. Principal and interest payments of $13,594 and $429, respectively, were paid from the General Fund and $2,692 and $85, respectively, were paid from the Adult Education Fund (a nonmajor governmental fund).

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

Fiscal Year Ending June 30	Amount
2018	$ 1,400
Total minimum lease payments	1,400
Less: amount representing interest	(6)
Total	$ 1,394

NOTE 10 - LONG-TERM OBLIGATIONS

During fiscal year 2017, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding 06/30/16	Additions	Reductions	Balance Outstanding 06/30/17	Amounts Due in One Year
Governmental activities:					
2010 Certificates of participation	$ 3,665,000	$ -	$ (375,000)	$ 3,290,000	$ 385,000
Capital lease	17,680	-	(16,286)	1,394	1,394
Net pension liability	18,104,659	2,896,884	-	21,001,543	-
Compensated absences	906,434	202,143	(232,719)	875,858	125,226
Total long-term obligations, governmental activities	$ 22,693,773	$ 3,099,027	$ (624,005)	$ 25,168,795	$ 511,620

2010 Certificates of Participation - On December 18, 2009, the District issued certificates of participation in the amount of $5,783,812, to construct and renovate buildings. The debt was issued in accordance with the American Recovery and Reinvestment Act of 2009, which provides for federal tax credits for the holders of debt in lieu of interest payments. This reduces the issuers cost of borrowing. This debt was issued for a fifteen year period, with final maturity during fiscal year 2025. The debt will be retired through the Permanent Improvement Capital Project Fund.

The debt maturing on December 16, 2024 is subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal and interest amounts as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	$ 385,000	$ 60,401	$ 445,401
2019	390,000	52,845	442,845
2020	400,000	45,143	445,143
2021	405,000	37,294	442,294
2022	415,000	29,299	444,299
2023 - 2025	1,295,000	38,172	1,333,172
Total	$ 3,290,000	$ 263,154	$ 3,553,154

Compensated Absences - Compensated absences will be paid from the General Fund, Food Service, Adult Education, Adult Basic Education and Vocational Education Special Revenue Funds.

Net Pension Liability - See Note 12 for detail on the net pension liability.

Legal Debt Margin: The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2017, are a voted debt margin of $292,291,359 and an unvoted debt margin of $3,247,682.

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the District contracted for the following insurance coverage:

Coverage provided by Wells Fargo Insurance Services USA, Inc.

Buildings and Contents - replacement costs ($1,000 deductible)

Commercial Auto Coverage	
Liability	$1,000,000
Uninsured/Underinsured Motorist	1,000,000
Medical Payments	5,000
General Liability	
Bodily Injury and Property Damage	1,000,000
Products/Completed Operations	2,000,000
Personal and Advertising Injury	1,000,000
Each Occurrence Limit	1,000,000
Damage to Premises Rented	1,000,000
Employers Benefits	Included
Educators' Legal Liability	
Each Wrongful Act	1,000,000
Annual Aggregate	4,000,000
Excess Liability Each Occurrence/Annual Aggregate	4,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

The District participated in the Sheakley/Better Business Bureau of Central Ohio's Workers' Compensation Group Retrospective Rating Program (GRP). The intent of the GRP program is to achieve the benefit of a reduced net premium for the District by virtue of its grouping and representation with other participants in the program. The program differs from a group rating plan in that the District pays its initial premiums based on the individual rating of the District and then earns refunds distributed over a three-year period based on the performance of the entire group of participants. Employer membership in the group is limited to schools and libraries.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was $208,862 for fiscal year 2017. Of this amount, $6,605 is reported as pension and postemployment benefits payable.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

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

The District's contractually required contribution to STRS was $797,380 for fiscal year 2017. Of this amount, $107,545 is reported as pension and postemployment benefits payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

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

	SERS	STRS	Total
Proportion of the net pension liability prior measurement date	0.04760520%	0.05567977%	
Proportion of the net pension liability current measurement date	0.04733550%	0.05239152%	
Change in proportionate share	-0.00026970%	-0.00328825%	
Proportionate share of the net pension liability	$ 3,464,522	$ 17,537,021	$ 21,001,543
Pension expense	$ 350,353	$ 884,418	$ 1,234,771

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 46,728	$ 708,580	$ 755,308
Net difference between projected and actual earnings on pension plan investments	285,772	1,456,044	1,741,816
Changes of assumptions	231,276	-	231,276
District contributions subsequent to the measurement date	208,862	797,380	1,006,242
Total deferred outflows of resources	$ 772,638	$ 2,962,004	$ 3,734,642

	SERS	STRS	Total
Deferred inflows of resources			
Difference between District contributions and proportionate share of contributions/ change in proportionate share	$ 18,975	$ 1,154,243	$ 1,173,218
Total deferred inflows of resources	$ 18,975	$ 1,154,243	$ 1,173,218

$1,006,242 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2018	$ 133,392	$ 20,104	$ 153,496
2019	133,185	20,104	153,289
2020	196,076	578,827	774,903
2021	82,148	391,346	473,494
Total	$ 544,801	$ 1,010,381	$ 1,555,182

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2016, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.50 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal (level percent of payroll)

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120% of male rates and 110% of female rates used. The RP-2000 Disabled Mortality Table with 90% for male rates and 100% for female rates set back five years is used for the period after disability retirement. Special mortality tables are used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an experience study that was completed June 30, 2015. As a result of the actuarial experience study, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) discount rate was reduced from 7.75% to 7.50% , (b) the assumed rate of inflation was reduced from 3.25% to 3.00%, (c) payroll growth assumption was reduced from 4.00% to 3.50%, (d) assumed real wage growth was reduced from 0.75% to 0.50%, (e) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (f) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (g) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (h) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

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

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

Discount Rate **-** The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate **-** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension liability	$ 4,586,811	$ 3,464,522	$ 2,525,119

Actuarial Assumptions - STRS

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

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return *
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	7.61 %

* 10-Year annualized geometric nominal returns, which include the real rate of return and inflation of 2.50% and does not include investment expenses. The total fund long-term expected return reflects diversification among the asset classes and therefore is not a weighted average return of the individual asset classes.

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

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	$ 23,305,276	$ 17,537,021	$ 12,671,158

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to District's NPL is expected to be significant.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was $23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2017, the District's surcharge obligation was $25,715.

The District's contributions for health care for the fiscal years ended June 30, 2017, 2016, and 2015 were $25,715, $23,900, and $33,981, respectively. The fiscal year 2017 amount has been reported as pension and postemployment benefits payable. The full amount has been contributed for fiscal years 2016 and 2015.

B. State Teachers Retirement System

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

Funding Policy - Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2017, STRS Ohio did not allocate any employer contributions to the Health Care Stabilization Fund. The District's did not make any contributions for health care for the fiscal years ended June 30, 2017, 2016 and 2015.

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred days for teachers and two hundred fourty days for classified and administrative personnel. Upon retirement, payment is made for twenty-six percent (26%) for teachers and twenty-eight percent (28%) for classified and administrative personnel of the value of employee's accrued but unused sick leave days. Employees must have seven years of service in the District.

B. Health Care Benefits

The District provides medical, prescription drug, dental and life insurance benefits to all employees through the San-Ott Schools Employee Welfare Benefit Association.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the General Fund 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 the GAAP basis are that:

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

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

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

(d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,

(e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,

(f) Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the General Fund is as follows:

Net Change in Fund Balance

	General Fund
Budget basis	$ 1,086,493
Net adjustment for revenue accruals	(109,317)
Net adjustment for expenditure accruals	13,729
Net adjustment for other sources/uses	12,222
Funds budgeted elsewhere	5,922
Adjustment for encumbrances	503,376
GAAP basis	$ 1,512,425

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 Fund, Rotary Special Services Fund and Public School Support Fund.

NOTE 16 - CONTINGENCIES

A. 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is not a party to legal proceedings that would have a material effect on the financial condition of the District.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain General Fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	Capital Improvements
Set-aside balance June 30, 2016	$ -
Current year set-aside requirement	134,047
Current year qualifying expenditures	(134,047)
Total	$ -
Balance carried forward to fiscal year 2018	$ -
Set-aside balance June 30, 2017	$ -

In prior fiscal years, the District issued $5,783,812 in capital related school improvement notes. These proceeds may be used to reduce the capital improvements set-aside amount to zero for future years. The amount presented for prior year offset from note proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to $0. The District is responsible for tracking the amount of note proceeds that may be used as an offset in future periods, which was $5,783,812 at June 30, 2017.

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

Fund	Year-End Encumbrances
General Fund	$ 407,174
Permanent Improvement Fund	1,247,795
Other governmental funds	242,389
Total	$ 1,897,358

NOTE 19 - CONTRACTUAL COMMITMENTS

As of June 30, 2017, the District had contractual commitments for the following projects:

Adult Education Miscellaneous Projects and SCTC Public Safety Building Projects:

Contractor	Contractual Commitments	Amount Paid as of 6/30/2017	Amount Remaining on Contracts
Coyle Mechanical	$ 122,157	$ 54,483	$ 67,674
Vulcan Enterprises	28,587	15,912	12,675
Vaughn Industries	200,000	157,658	42,342
Valley Electric	48,300	-	48,300
Capital Aluminum	150,996	138,916	12,080
Warner Mechanical	154,542	13,457	141,085
Telephone & Computer Contractors	89,149	-	89,149
Unified Security	32,451	-	32,451
Helms & Sons Excavating	117,000	-	117,000
Clouse Construction	583,903	-	583,903
Total	$ 1,527,085	$ 380,426	$ 1,146,659

NOTE 20 - TAX ABATEMENTS ENTERED INTO BY OTHER GOVERNMENTS

Community Reinvestment Areas

The City of Fremont provides tax abatements through Community Reinvestment Areas (CRAs).

Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill.

The CRA agreements entered into by the City of Fremont affect the property tax receipts collected and distributed to the District. Under these agreements, the District's property taxes were reduced by $985.

Enterprise Zones

Sandusky County and the City of Fremont entered into property tax abatement agreements with local businesses under Enterprise Zone tax abatement agreements. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone Program provides tax exemptions for a portion of the value of new real property when the investment is made in conjunction with a project that includes job creation or job retention. These tax abatements reduce assessed value by a percentage agreed upon by all parties that authorize these types of agreements. The agreements affect the property tax receipts collected and distributed to the District. Under the agreements, the District's property taxes were reduced by $24,739 during fiscal year 2017.

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VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST FOUR FISCAL YEARS

	2017	2016	2015	2014
District's proportion of the net pension liability	0.04733550%	0.04760520%	0.04787200%	0.04787200%
District's proportionate share of the net pension liability	$ 3,464,522	$ 2,716,399	$ 2,422,775	$ 2,846,794
District's covered-employee payroll	$ 1,464,529	$ 1,433,164	$ 1,391,061	$ 1,473,743
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	236.56%	189.54%	174.17%	193.17%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST FOUR FISCAL YEARS

	2017	**2016**	**2015**	**2014**
District's proportion of the net pension liability	0.05239152%	0.05567977%	0.05806685%	0.05806685%
District's proportionate share of the net pension liability	$ 17,537,021	$ 15,388,260	$ 14,123,867	$ 16,824,259
District's covered-employee payroll	$ 5,518,400	$ 5,818,050	$ 5,932,831	$ 6,406,908
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	317.79%	264.49%	238.06%	262.60%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	2017	2016	2015	2014	2013
Contractually required contribution	$ 208,862	$ 205,034	$ 188,891	$ 192,801	$ 203,966
Contributions in relation to the contractually required contribution	(208,862)	(205,034)	(188,891)	(192,801)	(203,966)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 1,491,871	$ 1,464,529	$ 1,433,164	$ 1,391,061	$ 1,473,743
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%	13.84%

	2012	2011	2010	2009	2008
	$ 199,746	$ 181,056	$ 185,912	$ 133,613	$ 133,700
	(199,746)	(181,056)	(185,912)	(133,613)	(133,700)
	$ -	$ -	$ -	$ -	$ -
	$ 1,485,100	$ 1,440,382	$ 1,373,058	$ 1,357,856	$ 1,361,507
	13.45%	12.57%	13.54%	9.84%	9.82%

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	2017	2016	2015	2014	2013
Contractually required contribution	$ 797,380	$ 772,576	$ 814,527	$ 771,268	$ 832,898
Contributions in relation to the contractually required contribution	(797,380)	(772,576)	(814,527)	(771,268)	(832,898)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 5,695,571	$ 5,518,400	$ 5,818,050	$ 5,932,831	$ 6,406,908
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008
$ 862,954	$ 883,552	$ 906,072	$ 907,950	$ 920,648
(862,954)	(883,552)	(906,072)	(907,950)	(920,648)
$ -	$ -	$ -	$ -	$ -
$ 6,638,108	$ 6,796,554	$ 6,969,785	$ 6,984,231	$ 7,081,908
13.00%	13.00%	13.00%	13.00%	13.00%

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014-2016. For fiscal year 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) discount rate was reduced from 7.75% to 7.50%, (b) the assumed rate of inflation was reduced from 3.25% to 3.00%, (c) payroll growth assumption was reduced from 4.00% to 3.50%, (d) assumed real wage growth was reduced from 0.75% to 0.50%, (e) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (f) mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females, (g) mortality among service retired members, and beneficiaries was updated to the following RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120% of male rates, and 110% of female rates and (h) mortality among disable member was updated to RP-2000 Disabled Mortality Table, 90% for male rates and 100% for female rates, set back five years is used for the period after disability retirement.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2017.

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.

The management's discussion and analysis of Vanguard-Sentinel Career and Technology Centers (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2016 are as follows:

- In total, net position of governmental activities increased $2,075,916 which represents an increase of 6.59% from 2015.

- General revenues accounted for $11,576,213 in revenue or 72.68% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $4,351,032 or 27.32% of total revenues of $15,927,245.

- The District had $13,851,329 in expenses related to governmental activities; $4,351,032 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of $11,576,213 were adequate to provide for these programs.

- The District's major governmental funds are the General Fund, Permanent Improvement Fund and Classroom Facilities Fund. The General Fund had $14,615,641 in revenues and $13,544,094 in expenditures and other financing uses. During fiscal year 2016, the General Fund's fund balance increased $1,071,547 from a balance of $8,262,002 to $9,333,549.

- The Permanent Improvement Fund had $1,815,700 in revenues and other financing sources and $1,320,465 in expenditures. During fiscal year 2016, the Permanent Improvement Fund's fund balance increased $495,235 from $6,024,931 to $6,520,166.

- During fiscal year 2016, the Classroom Facilities Fund's fund balance remained a deficit of $98,171.

Using these Basic 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 position* and *statement 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. In the case of the District, the General Fund, Permanent Improvement Fund and Classroom Facilities Fund are by far the most significant funds, and the only governmental funds reported as major funds.

Reporting the District as a Whole

Statement of Net Position and the Statement of Activities

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 2016?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. 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 statement of net position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. 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. The District's major governmental funds are the General Fund, Permanent Improvement Fund and Classroom Facilities Fund.

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* than can readily be converted to cash. The governmental fund financial 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 position and the statement of activities) and governmental *funds* is reconciled in the basic financial statements.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. This activity is reported in agency funds. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability.

The District as a Whole

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position at June 30, 2016 and June 30, 2015.

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Net Position

	Governmental Activities 2016	Governmental Activities 2015
Assets		
Current and other assets	$ 24,041,917	$ 22,220,399
Capital assets, net	37,162,841	37,657,734
Total assets	61,204,758	59,878,133
Deferred outflows of resources		
Pension	1,727,190	1,160,011
Liabilities		
Current liabilities	1,199,541	1,257,631
Long-term liabilities:		
Due within one year	580,444	474,762
Due in more than one year:		
Net pension liability	18,104,659	16,546,642
Other amounts	4,008,670	4,600,672
Total liabilities	23,893,314	22,879,707
Deferred inflows of resources		
Property taxes levied for the next fiscal year	3,605,895	3,629,543
Pension	1,834,121	3,006,192
Total deferred inflows of resources	5,440,016	6,635,735
Net Position		
Net Investment in capital assets	33,480,161	33,589,560
Restricted	3,181,948	2,903,111
Unrestricted (Deficit)	(3,063,491)	(4,969,969)
Total net position	$ 33,598,618	$ 31,522,702

During 2015, the District has adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the District's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

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

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

As a result of implementing GASB 68, the District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2016, the District's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $33,598,618. Of this total, a deficit of $3,063,491 is unrestricted in use.

At year-end, capital assets represented 60.72% of total assets. Capital assets include land, buildings and building improvements, furniture, fixtures and equipment and vehicles. Net investment in capital assets at June 30, 2016, was $33,480,161. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net position, $3,181,948, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of $3,063,491. The deficit balance of unrestricted net position was the result of reporting the net pension liability required by GASB 68.

The table below shows the change in net position for fiscal years 2016 and 2015.

Change in Net Position

	Governmental Activities 2016	Governmental Activities 2015
Revenues		
Program revenues:		
Charges for services and sales	$ 1,311,962	$ 1,100,813
Operating grants and contributions	3,039,070	3,054,348
General revenues:		
Property taxes	4,523,438	4,359,972
Grants and entitlements	6,751,583	6,582,369
Investment earnings	230,180	85,956
Other	71,012	152,674
Total revenues	15,927,245	15,336,132

-Continued

Change in Net Position

	Governmental Activities 2016	Governmental Activities 2015
Expenses		
Program expenses:		
Instruction:		
Regular	96,512	99,208
Special	118,996	156,815
Vocational	8,397,097	8,234,203
Adult/continuing	247,965	583,481
Support services:		
Pupil	586,716	602,757
Instructional staff	869,769	765,859
Board of education	65,290	61,044
Administration	1,060,352	989,238
Fiscal	578,531	514,985
Operations and maintenance	1,454,969	1,541,012
Pupil transportation	45,962	57,293
Central	11,208	431
Operations of non-instructional services:		
Other non-instructional services	66,423	66,423
Food service operations	167,239	83,049
Extracurricular activities	8,408	9,774
Interest and fiscal charges	75,892	83,715
Total expenses	13,851,329	13,849,287
Change in net position	2,075,916	1,486,845
Net position at beginning of year	31,522,702	30,035,857
Net position at end of year	$ 33,598,618	$ 31,522,702

Governmental Activities

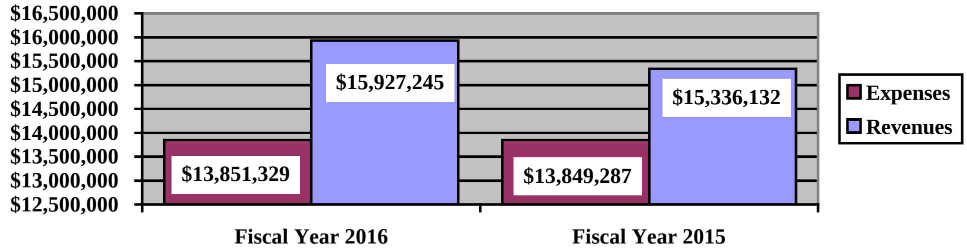
Net position of the District's governmental activities increased $2,075,916. Total governmental expenses of $13,851,329 were offset by program revenues of $4,351,032 and general revenues of $11,576,213. Program revenues supported 31.41% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These revenue sources represent 70.79% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled $8,860,570 or 63.97% of total governmental expenses for fiscal year 2016.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2016 and 2015.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental 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 grants and entitlements.

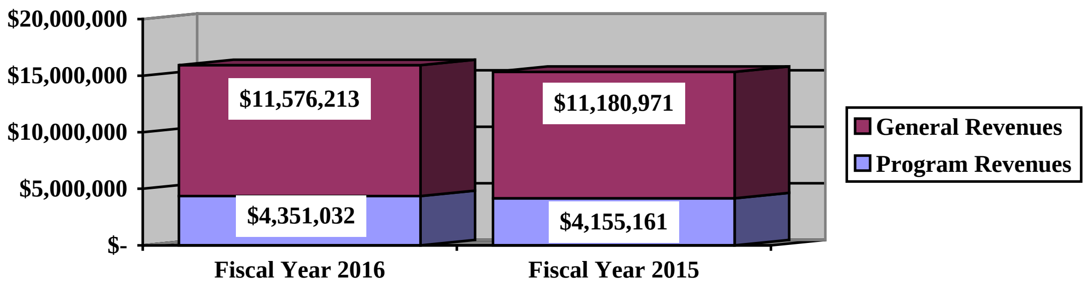
Governmental Activities

	Total Cost of Services 2016	Net Cost of Services 2016	Total Cost of Services 2015	Net Cost of Services 2015
Program expenses				
Instruction:				
Regular	$ 96,512	$ 96,512	$ 99,208	$ 99,208
Special	118,996	118,996	156,815	156,815
Vocational	8,397,097	5,072,626	8,234,203	5,167,231
Adult/continuing	247,965	(322,830)	583,481	(47,025)
Support services:				
Pupil	586,716	508,879	602,757	527,441
Instructional staff	869,769	770,198	765,859	614,489
Board of education	65,290	65,290	61,044	61,044
Administration	1,060,352	984,031	989,238	965,420
Fiscal	578,531	578,531	514,985	514,985
Operations and maintenance	1,454,969	1,399,927	1,541,012	1,483,488
Pupil transportation	45,962	45,962	57,293	57,293
Central	11,208	11,208	431	431
Operations of non-instructional services:				
Other non-instructional services	66,423	66,423	66,423	66,423
Food service operations	167,239	20,244	83,049	(66,606)
Extracurricular activities	8,408	8,408	9,774	9,774
Interest and fiscal charges	75,892	75,892	83,715	83,715
Total expenses	$ 13,851,329	$ 9,500,297	$ 13,849,287	$ 9,694,126

The dependence upon tax and other general revenues for governmental activities is apparent; 56.04% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 68.59%. The District's taxpayers and State funding are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2016 and 2015.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of $18,296,928, which is more than last year's total of $16,428,510. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2016 and 2015.

	Fund Balance (deficit) June 30, 2016	Fund Balance (deficit) June 30, 2015	Increase (decrease)	Percentage Change
General	$ 9,333,549	$ 8,262,002	$ 1,071,547	12.97 %
Permanent Improvement	6,520,166	6,024,931	495,235	8.22 %
Classroom Facilities	(98,171)	(98,171)	-	- %
Other Governmental	2,541,384	2,239,748	301,636	13.47 %
Total	$ 18,296,928	$ 16,428,510	$ 1,868,418	11.37 %

General Fund

The District's General Fund balance increased $1,071,547 or 12.97%.

The table that follows assists in illustrating the financial activities and fund balance of the General Fund.

	2016 Amount	2015 Amount	Increase (Decrease)	Percentage Change
Revenues				
Taxes	$ 4,513,417	$ 4,385,959	$ 127,458	2.91 %
Earnings on investments	233,584	90,104	143,480	159.24 %
Rent	39,342	42,124	(2,782)	(6.60) %
Classroom materials and fees	103,283	82,104	21,179	25.80 %
Intergovernmental	8,951,176	8,818,874	132,302	1.50 %
Other revenues	774,839	685,987	88,852	12.95 %
Total	$ 14,615,641	$ 14,105,152	$ 510,489	3.62 %
Expenditures				
Instruction	$ 7,203,846	$ 7,514,090	$ (310,244)	(4.13) %
Support services	4,033,305	4,042,428	(9,123)	(0.23) %
Extracurricular activities	8,408	9,774	(1,366)	(13.98) %
Debt service	89,214	96,274	(7,060)	(7.33) %
Total	$ 11,334,773	$ 11,662,566	$ (327,793)	(2.81) %

Earnings on investments increased $143,480 or 159.24% due to an increase in the Districts investments. Classroom materials and fees revenue increased $21,179 or 25.80% from the prior year due mainly to tutoring income increasing. Other revenues increased $88,852 or 12.95% from the prior fiscal year due mainly to increased tuition revenues being received from satellite programs and for miscellaneous fees. All other revenues and expenditures remain comparable to the prior year.

Permanent Improvement Fund

The Permanent Improvement Fund had $1,815,700 in revenues and other financing sources and $1,320,465 in expenditures. During fiscal year 2016, the Permanent Improvement Fund's fund balance increased $495,235 from $6,024,931 to $6,520,166 due to transfers in from the General Fund of $1,800,000, which was an increase over prior year transfers in of $800,000.

Classroom Facilities Fund

During fiscal year 2016, the Classroom Facilities Fund's fund balance remained a deficit of $98,171.

General Fund Budgeting Highlights

The District's budget is prepared per Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances.

During fiscal year 2016, the District amended its General Fund budget several times. For the General Fund, original budgeted revenues were $13,917,808 and final budgeted revenues and other financing sources were $14,395,638. Actual revenues and other financing sources for fiscal year 2016 were $14,395,638.

General Fund original appropriations (appropriated expenditures including other financing uses) were $14,196,378 and the final appropriations were $15,196,378. The actual budget basis expenditures and other financing uses for fiscal year 2016 totaled $14,281,286, which was $915,092 less than the final budget appropriations, due to controls on spending.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2016, the District had $37,162,841 invested in land, buildings and building improvements, furniture, fixtures and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2016 balances compared to 2015:

Capital Assets at June 30, 2015
(Net of Depreciation)

	Governmental Activities	
	2016	2015
Land	$ 795,737	$ 795,737
Building and building improvements	35,258,550	35,745,636
Furniture, fixtures and equipment	902,209	1,086,318
Vehicles	206,345	30,043
Total	$ 37,162,841	$ 37,657,734

The overall decrease in capital assets of $494,893 is due to depreciation expense of $1,470,406 exceeding capital outlays of $975,513 in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2016, the District had $3,665,000 in qualified school construction bond certificates of participation outstanding and $17,680 in capital lease obligations outstanding. Of this total, $391,286 is due within one year and $3,291,394 is due in more than one year. The following table summarizes the outstanding debt at year end.

Outstanding Debt, at Fiscal Year End

	Governmental Activities 2016	Governmental Activities 2015
2010 Certificates of Participation	$ 3,665,000	$ 4,035,000
Capital lease obligations	17,680	33,174
Total	$ 3,682,680	$ 4,068,174

At June 30, 2016, the District's overall legal debt margin was $286,183,100, and an unvoted debt margin of $3,179,812.

See Note 10 to the basic financial statements for additional information on the District's long-term obligations.

Current Financial Related Activities

The District remains financially stable despite the uncertainty of future State funding. The District is primarily a residential/farming community covering 13 public school districts in nine northwest Ohio counties.

Over the past several years, the District has maintained a strong financial position. The District has not been on the ballot for operating funds since 1970. The current five-year forecast indicates the District will not need to request additional operating funds.

The District will be negotiating a new labor contract with its certified employees in 2017 and the current agreement ends June 30, 2017.

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 that the District is accountable for the money it receives. If you have questions about this report or need additional financial information contact Mr. Alan Binger, Treasurer, Vanguard-Sentinel Career and Technology Centers, 1306 Cedar Street, Fremont, Ohio 43420-1197, or email at abinger@vsctc.org.

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
Assets:	
Equity in pooled cash and investments	$ 18,635,381
Cash in segregated accounts	612
Receivables:	
Property taxes	4,492,075
Accounts	36,863
Accrued interest	30,471
Intergovernmental	765,700
Prepayments	69,586
Inventory held for resale	11,229
Capital assets:	
Nondepreciable capital assets	795,737
Depreciable capital assets, net	36,367,104
Capital assets, net	37,162,841
Total assets	61,204,758
Deferred outflows of resources:	
Pension - STRS	1,478,279
Pension - SERS	248,911
Total deferred outflows of resources	1,727,190
Liabilities:	
Accounts payable	110,152
Accrued wages and benefits payable	911,334
Pension and postemployment benefits	153,545
Intergovernmental payable	18,859
Accrued interest payable	5,651
Long-term liabilities:	
Due within one year	580,444
Due in more than one year:	
Net pension liability (See Note 12)	18,104,659
Other amounts due in more than one year	4,008,670
Total liabilities	23,893,314
Deferred inflows of resources:	
Property taxes levied for the next fiscal year	3,605,895
Pension - STRS	1,732,241
Pension - SERS	101,880
Total deferred inflows of resources	5,440,016
Net position:	
Net investment in capital assets	33,480,161
Restricted for:	
Capital projects	709,978
Classroom facilities maintenance	1,902,729
Adult education	411,295
Expendable trust	108,831
Other purposes	49,115
Unrestricted (deficit)	(3,063,491)
Total net position	$ 33,598,618

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities:				
Instruction:				
Regular	$ 96,512	$ -	$ -	$ (96,512)
Special	118,996	-	-	(118,996)
Vocational	8,397,097	807,110	2,517,361	(5,072,626)
Adult/continuing	247,965	370,388	200,407	322,830
Support services:				
Pupil	586,716	-	77,837	(508,879)
Instructional staff	869,769	-	99,571	(770,198)
Board of education	65,290	-	-	(65,290)
Administration	1,060,352	5,979	70,342	(984,031)
Fiscal	578,531	-	-	(578,531)
Operations and maintenance	1,454,969	55,042	-	(1,399,927)
Pupil transportation	45,962	-	-	(45,962)
Central	11,208	-	-	(11,208)
Operation of non-instructional services:				
Other non-instructional services	66,423	-	-	(66,423)
Food service operations	167,239	73,443	73,552	(20,244)
Extracurricular activities	8,408	-	-	(8,408)
Interest and fiscal charges	75,892	-	-	(75,892)
Total governmental activities	$ 13,851,329	$ 1,311,962	$ 3,039,070	(9,500,297)
		General revenues:		
		Property taxes levied for:		
		General purposes		4,523,438
		Grants and entitlements not restricted to specific programs		6,751,583
		Investment earnings		230,180
		Miscellaneous		71,012
		Total general revenues		11,576,213
		Change in net position		2,075,916
		Net position at beginning of year		31,522,702
		Net position at end of year		$ 33,598,618

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General	Permanent Improvement	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Equity in pooled cash and investments	$ 9,466,116	$ 6,520,166	$ -	$ 2,649,099	$ 18,635,381
Cash in segregated accounts	612	-	-	-	612
Receivables:					
Property taxes	4,492,075	-	-	-	4,492,075
Accounts	36,863	-	-	-	36,863
Intergovernmental	8,897	-	709,978	46,825	765,700
Accrued interest	30,471	-	-	-	30,471
Interfund loans	128,171	-	-	-	128,171
Prepayments	63,925	-	-	5,661	69,586
Inventory held for resale	1,805	-	-	9,424	11,229
Total assets	$ 14,228,935	$ 6,520,166	$ 709,978	$ 2,711,009	$ 24,170,088
Liabilities:					
Accounts payable	$ 88,604	$ -	$ -	$ 21,548	$ 110,152
Accrued wages and benefits payable	823,380	-	-	87,954	911,334
Compensated absences payable	30,394	-	-	-	30,394
Intergovernmental payable	17,611	-	-	1,248	18,859
Pension and postemployment benefits	124,670	-	-	28,875	153,545
Interfund loans payable	-	-	98,171	30,000	128,171
Total liabilities	1,084,659	-	98,171	169,625	1,352,455
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	3,605,895	-	-	-	3,605,895
Delinquent property tax revenue not available	179,332	-	-	-	179,332
Intergovernmental revenue not available	8,897	-	709,978	-	718,875
Accrued interest not available	16,603	-	-	-	16,603
Total deferred inflows of resources	3,810,727	-	709,978	-	4,520,705
Fund balances:					
Nonspendable:					
Prepaids	63,925	-	-	5,661	69,586
Restricted:					
Adult education	-	-	-	436,641	436,641
Classroom facilities maintenance	-	-	-	1,900,815	1,900,815
Food service operations	-	-	-	61,439	61,439
Vocational education	-	-	-	111,060	111,060
Committed:					
Student instruction	260,881	-	-	-	260,881
Assigned:					
Student instruction	274,729	-	-	-	274,729
Student and staff support	137,165	-	-	-	137,165
Debt service	-	3,665,000	-	-	3,665,000
Subsequent year's appropriations	2,715	-	-	-	2,715
Capital improvements	-	2,855,166	-	-	2,855,166
Other purposes	183,022	-	-	-	183,022
Unassigned (deficit)	8,411,112	-	(98,171)	25,768	8,338,709
Total fund balances (deficit)	9,333,549	6,520,166	(98,171)	2,541,384	18,296,928
Total liabilities, deferred inflows of resources and fund balances	$ 14,228,935	$ 6,520,166	$ 709,978	$ 2,711,009	$ 24,170,088

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2016

Total governmental fund balances		$ 18,296,928
Amounts reported for governmental activities on the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		37,162,841
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Property taxes receivable	$ 179,332	
Accrued interest receivable	16,603	
Intergovernmental receivable	718,875	
Total		914,810
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(5,651)
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/ outflows are not reported in governmental funds.		
Deferred outflows of resources - pension	1,727,190	
Deferred inflows of resources - pension	(1,834,121)	
Net pension liability	(18,104,659)	
Total		(18,211,590)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
2010 Certifications of participation	3,665,000	
Capital lease obligations	17,680	
Compensated absences	876,040	
Total		(4,558,720)
Net position of governmental activities		$ 33,598,618

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	General	Permanent Improvement	Classroom Facilities	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Property taxes	$ 4,513,417	$ -	$ -	$ -	$ 4,513,417
Tuition	401,836	-	-	359,793	761,629
Earnings on investments	233,584	-	-	412	233,996
Charges for services	-	-	-	73,443	73,443
Classroom materials and fees	103,283	-	-	16,574	119,857
Rental income	39,342	15,700	-	-	55,042
Contributions and donations	9,839	-	-	-	9,839
Contract services	81,738	-	-	-	81,738
Other local revenues	281,426	-	-	25,833	307,259
Intergovernmental - state	8,951,176	-	-	184,478	9,135,654
Intergovernmental - federal	-	-	-	619,857	619,857
Total revenues	14,615,641	15,700	-	1,280,390	15,911,731
Expenditures:					
Current:					
Instruction:					
Regular	98,368	-	-	-	98,368
Special	126,914	-	-	-	126,914
Vocational	6,978,564	-	-	213,994	7,192,558
Adult/continuing	-	-	-	642,143	642,143
Support services:					
Pupil	490,352	-	-	76,633	566,985
Instructional staff	704,449	-	-	98,830	803,279
Board of education	65,790	-	-	-	65,790
Administration	943,557	-	-	75,849	1,019,406
Fiscal	546,825	-	-	-	546,825
Operations and maintenance	1,222,750	-	-	128,857	1,351,607
Pupil transportation	58,124	179,435	-	-	237,559
Central	1,458	-	-	-	1,458
Operation of non-instructional services:					
Food service operations	-	-	-	148,992	148,992
Extracurricular activities	8,408	-	-	-	8,408
Facilities acquisition and construction	-	771,030	-	-	771,030
Debt service:					
Principal retirement	12,933	370,000	-	2,561	385,494
Interest and fiscal charges	76,281	-	-	216	76,497
Total expenditures	11,334,773	1,320,465	-	1,388,075	14,043,313
Excess (deficiency) of revenues over (under) expenditures	3,280,868	(1,304,765)	-	(107,685)	1,868,418
Other financing sources (uses):					
Transfers in	-	1,800,000	-	409,321	2,209,321
Transfers (out)	(2,209,321)	-	-	-	(2,209,321)
Total other financing sources (uses)	(2,209,321)	1,800,000	-	409,321	-
Net change in fund balances	1,071,547	495,235	-	301,636	1,868,418
Fund balances (deficit) at beginning of year	8,262,002	6,024,931	(98,171)	2,239,748	16,428,510
Fund balances (deficit) at end of year	$ 9,333,549	$ 6,520,166	$ (98,171)	$ 2,541,384	$ 18,296,928

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

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, 2016

Net change in fund balances - total governmental funds		$ 1,868,418
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	$ 975,513	
Current year depreciation	(1,470,406)	
Total		(494,893)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	10,021	
Earnings on investments	(3,404)	
Intergovernmental	8,897	
Total		15,514
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. Principal payments during the year were:		
Certifications of participation	370,000	
Capital leases	15,494	
Total		385,494
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the statement of activities:		
Decrease in accrued interest payable		605
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		977,610
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(796,377)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		119,545
Change in net position of governmental activities		$ 2,075,916

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
From local sources:				
Property taxes	$ 4,319,461	$ 4,455,734	$ 4,455,734	$ -
Earnings on investments	162,319	167,440	167,440	-
Classroom materials and fees	86,337	89,061	89,061	-
Rental income	38,139	39,342	39,342	-
Other local revenues	273,277	281,899	281,899	-
Intergovernmental - state	9,038,275	9,323,421	9,323,421	-
Total revenues	13,917,808	14,356,897	14,356,897	-
Expenditures:				
Current:				
Instruction:				
Regular	100,012	101,418	98,177	3,241
Special	146,944	143,762	133,000	10,762
Vocational	8,040,326	8,006,740	7,545,705	461,035
Support services:				
Pupil	485,877	508,012	497,553	10,459
Instructional staff	710,802	712,216	706,120	6,096
Board of education	138,807	137,464	79,061	58,403
Administration	989,346	998,948	980,749	18,199
Fiscal	515,685	519,331	512,963	6,368
Operations and maintenance	1,606,263	1,606,579	1,328,010	278,569
Pupil transportation	115,314	114,905	75,570	39,335
Central	2,500	2,500	1,458	1,042
Extracurricular activities	10,001	9,991	8,408	1,583
Debt service:				
Interest and fiscal charges	75,180	75,191	75,191	-
Total expenditures	12,937,057	12,937,057	12,041,965	895,092
Excess of revenues over expenditures	980,751	1,419,840	2,314,932	895,092
Other financing sources (uses):				
Refund of prior year's expenditures	-	3,100	3,100	-
Transfers (out)	(1,209,321)	(2,209,321)	(2,209,321)	-
Advances in	-	30,000	30,000	-
Advances (out)	(50,000)	(50,000)	(30,000)	20,000
Sale of capital assets	-	5,641	5,641	-
Total other financing sources (uses)	(1,259,321)	(2,220,580)	(2,200,580)	20,000
Net change in fund balance	(278,570)	(800,740)	114,352	915,092
Fund balance at beginning of year	7,765,455	7,765,455	7,765,455	-
Prior year encumbrances appropriated	582,318	582,318	582,318	-
Fund balance at end of year	$ 8,069,203	$ 7,547,033	$ 8,462,125	$ 915,092

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

		Agency
Assets:		
Equity in pooled cash		
and investments	$	66,179
Receivables:		
Accounts		130
Total assets.	$	66,309
Liabilities:		
Accounts payable.	$	1,402
Intergovernmental payable		150
Due to students.		64,757
Total liabilities	$	66,309

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Vanguard-Sentinel Career and Technology Centers (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a joint vocational school district as defined by Section 3311.18 of the Ohio Revised Code. The District operates under an appointed Board of Education consisting of 13 members. Each participating exempted village, local and city school district has one representative on the Board of Education. The District provides educational services as authorized by State statute and/or Federal guidelines.

The District was established in 1965 for the purpose of providing vocational education to students in Sandusky County. Clyde, Fremont, Gibsonburg, and Lakota School Districts were the initial districts. The first students attended the District in September 1968. Port Clinton City School District joined in 1971 and Old Fort in 1975. In 1985, a new building was opened in Tiffin, Ohio to provide vocational education to students in Seneca and Wyandot counties. Member districts of the Sentinel Career Center in Tiffin are: Fostoria, Hopewell-Loudon, Mohawk, New Riegel, Seneca East, Tiffin City and Upper Sandusky schools.

The District serves an area of approximately 1,600 square miles with an enrollment of 728 students. The District employed 10 administrative and supervisory personnel, 71 certified employees and 32 non-certificated employees.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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 District's significant accounting policies are described below

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

JOINTLY GOVERNED ORGANIZATIONS

<u>The Northern Ohio Educational Computer Association</u>
The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among thirty-six area school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among members. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions. The NOECA assembly consists of a superintendent from each participating school and representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two Assembly members from each county in which participating schools are located. The degree of control exercised by any participating school is limited to its representation on the Board. The District paid $21,866 to NOECA for services during fiscal year 2016. Financial information can be obtained by contacting Matthew Bauer, who serves as controller, at 219 Howard Drive, Sandusky, Ohio 44870.

INSURANCE POOLS

<u>Better Business Bureau of Central Ohio's Workers' Compensation Group Retrospective Rating Plan</u>
The District participates in the Better Business Bureau Group Retrospective Rating Plan Program (the GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by Sheakley Uniservice Inc. Sheakley Uniservice Inc. serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the cost of administering the program. Refer to Note 11 for further information on the GRP.

<u>San-Ott Schools Employee Welfare Benefit Association</u>
The District has joined together with other school districts in the area to form the San-Ott Schools Employee Welfare Benefit Association (the Association), whose purpose is to provide health coverage and benefits to and for the eligible employees of Association members and their dependents. The District pays premiums to the Association based upon the benefits structure selected. The Association will be self-sustaining through member premiums and will reinsure through commercial companies for specific claims in excess of $150,000 and aggregate claims in excess of 120 percent of expected claims.

B. Basis of Presentation and Measurement Focus

The District's basic financial statements consist of government-wide financial statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

<u>*Government-wide Financial Statements*</u> - The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the statement of net position.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current asset, deferred outflows of resources, current liabilities and deferred inflows of resources 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Agency funds do not report a measurement focus as they do not report operations.

C. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types. The District has no proprietary funds.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses 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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

General Fund - The General Fund is used to account for and report all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the

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

Permanent Improvement Fund - The Permanent Improvement Fund accounts for resources transferred from the General Fund to be used for acquisition, construction, or improvement of capital facilities.

Classroom Facilities Fund - The Classroom Facilities Fund is used to account for financial resources and expenditures related to the school facilities construction and renovation project.

Other governmental funds of the District are used to account for specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. 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 not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for various student-managed activities.

D. 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 use the accrual basis of accounting.

Revenues - Exchange and Nonexchange 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. 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, include 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 fiscal 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 fiscal year end: property taxes available as an advance, tuition, grants, interest and charges for services.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the District, See Note 12 for deferred outflows of resources related the District's net pension liability

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2016, but which were levied to finance fiscal year 2017 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the District, unavailable revenue includes, but is not limited to, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the District, See Note 12 for deferred inflows of resources related to the District's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of 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 the Board of Education may appropriate. The appropriations resolution is the 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 budgetary control selected by the Board is at the object level within each fund. Any budgetary modifications at this level may only be made by the Board. Budgetary allocations at the function level within a fund are made by the District Treasurer.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect 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 statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment 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 fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

During fiscal year 2016, investments were limited to negotiable and non-negotiable certificates of deposit, investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), commercial paper, U.S. Government money markets and federal agency securities. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2016. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2016.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2016 amounted to $233,584, which includes $115,559 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

G. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is considered nonspendable in an amount equal to the carrying value of the asset on the fund financial statements.

H. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis. Inventory is recorded as an expenditure/expense when used.

On the fund financial statements, reported materials and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of donated and purchased food.

I. Budget Stabilization Arrangement

The District has established a budget stabilization reserve in accordance with authority established by State law. Additions to the budget stabilization reserve can only be made by formal resolution of the Board of Education. Expenditures out of the budget stabilization reserve can only be made to offset future budget deficits. At June 30, 2016, the balance in the budget stabilization reserve was $615,909. This amount is included in unassigned fund balance of the General Fund and in unrestricted net position on the statement of net position.

J. Capital Assets

All of the District's capital assets are general capital assets resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net position, but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the fiscal year. Donated capital assets are valued at acquisition cost. The District maintains a capitalization threshold of two-thousand-dollars. The District does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

Description	Useful Lives
Buildings and Building Improvements	40 years
Furniture, Fixtures and Equipment	5 - 15 years
Vehicles	5 years

K. Interfund Balances

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

L. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's 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. Sick leave benefits are accrued as a liability using the vesting payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. The District records a liability for accumulated unused sick leave for all employees with at least twenty years of service or any amount of service and at least forty-five years of age.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Certificates of participation and leases are recognized as a liability on the fund financial statements when due.

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its 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 amount restricted for other purposes represents amounts restricted for food service.

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

O. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

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

P. 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 basic financial statements.

Interfund activities between governmental funds are eliminated in the statement of activities.

Q. Pensions

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2016.

S. Fair Market Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

T. 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 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2016, the District has implemented GASB Statement No. 72, "*Fair Value Measurement and Application*", GASB Statement No. 73 "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", GASB Statement No. 76, "*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*", and GASB Statement No. 79, "*Certain External Investment Pools and Pool Participants*".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the District.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the District.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the District.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2016 included the following individual fund deficit:

Major fund	Deficit
Classroom Facilities	$ 98,171

The General Fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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.

A. Cash on Hand

At year-end, the District had $612 in undeposited cash on hand, which includes $537 in change funds. These monies are included on the financial statements of the District as part of “cash in segregated accounts.”

B. Deposits with Financial Institutions

At June 30, 2016, the carrying amount of all District deposits was $4,581,947, which includes $3,525,694 in non-negotiable certificates of deposit. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2016, $2,614,670 of the District's bank balance of $4,880,334 was exposed to custodial risk as discussed below, while $2,265,664 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2016, the District had the following investments and maturity:

		Investment Maturities				
Investment type	Fair Value	6 months or less	17 to 12 months	13 to 18 months	19 to 24 months	Greater than 24 months
STAR Ohio	$ 3,004,488	$ 3,004,488	$ -	$ -	$ -	$ -
FHLB	855,508	355,408	-	-	-	500,100
FFCB	1,406,221	-	-	405,296	-	1,000,925
FNMA	3,106,334	-	-	-	822,614	2,283,720
FHLMC	375,143	-	-	-	-	375,143
Commercial paper	1,320,536	868,835	451,701	-	-	-
Negotiable CDs	2,750,340	-	741,701	-	489,513	1,519,126
U.S. Governmental money market	1,301,043	1,301,043	-	-	-	-
Total	$ 14,119,613	$ 5,529,774	$ 1,193,402	$ 405,296	$ 1,312,127	$ 5,679,014

The weighted average maturity of investments is 1.58 years.

The District's investments in U.S. Government money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs).

The District's investments in federal agency securities, negotiable certificates of deposit and commercial paper are valued using quoted market prices that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits investment portfolio maturities to five years or less. State statute requires that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: The District's investments in federal agency securities were rated AA+ and Aaa by Moody's Investor Services and Standard & Poor's, respectively. Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Commercial paper investments were rated AAA by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The U.S. Government money market was not rated. The negotiable certificates of deposit are fully covered by FDIC and are not rated. The District's investment policy does not address investment credit risk beyond the requirements of State statutes.

Custodial Credit Risk: For an investment, 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 investment or collateral securities that are in the possession of an outside party. The federal agency securities and commercial paper are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District's investment policy does not specifically address custodial credit risk beyond the adherence to all relevant sections of the Ohio Revised Code. Requirements in State statute prohibit payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board or qualified trustee.

Concentration of Credit Risk: The District places no dollar limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2016:

Measurement/ Investment type	Measurement Amount	% of Total
STAR Ohio	$ 3,004,488	21.29
FHLB	855,508	6.06
FFCB	1,406,221	9.95
FNMA	3,106,334	22.00
FHLMC	375,143	2.66
Commercial paper	1,320,536	9.35
Negotiable CDs	2,750,340	19.48
U.S. Governmental money market	1,301,043	9.21
Total	$ 14,119,613	100.00

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of June 30, 2016:

Cash and investments per note	
Carrying amount of deposits	$ 4,581,947
Investments	14,119,613
Cash on hand	612
Total	$ 18,702,172

Cash and investments per statement of net position	
Governmental activities	$ 18,635,993
Agency funds	66,179
Total	$ 18,702,172

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2016 as reported on the fund financial statements, consist of the following individual interfund loans receivable and payable:

Receivable fund	Payable funds	Amount
General	Classroom Facilities Fund	$ 98,171
General	Nonmajor governmental funds	30,000
Total		$ 128,171

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2016 are reported on the statement of net position.

B. Interfund transfers for the year ended June 30, 2016, consisted of the following, as reported on the fund financial statements:

Transfers from General Fund to:	Amount
Permanent Improvement Fund	$ 1,800,000
Nonmajor governmental funds	409,321
Total	$ 2,209,321

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported in the statement of activities.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes received in calendar year 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Public utility real and personal property taxes received in calendar year 2016 became a lien on December 31, 2014, were levied after April 1, 2015, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from nine counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2016, are available to finance fiscal year 2016 operations. The amount available as an advance at June 30, 2016 was $706,848 in the General Fund. This amount is recorded as revenue. The amount available for advance at June 30, 2015 was $649,165 in the General Fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2016 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been reported as a deferred inflow.

The assessed values upon which the fiscal year 2016 taxes were collected are:

	2015 Second Half Collections		2016 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	$ 2,905,775,580	94.62	$ 3,004,856,510	94.50
Public utility personal	165,326,990	5.38	174,955,710	5.50
Total	$ 3,071,102,570	100.00	$ 3,179,812,220	100.00
Tax rate per $1,000 of assessed valuation	$1.60		$1.60	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2016 consisted of property taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. 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. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:	
Property taxes	$ 4,492,075
Accounts	36,863
Accrued interest	30,471
Intergovernmental	765,700
Total	$ 5,325,109

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within subsequent years.

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance 06/30/15	Additions	Deductions	Balance 06/30/16
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 795,737	$ -	$ -	$ 795,737
Total capital assets, not being depreciated	795,737	-	-	795,737
Capital assets, being depreciated:				
Buildings and building improvements	45,567,800	630,808	-	46,198,608
Furniture, fixtures and equipment	4,593,528	112,705	(59,429)	4,646,804
Vehicles	601,054	232,000	(51,245)	781,809
Total capital assets, being depreciated	50,762,382	975,513	(110,674)	51,627,221
Less: accumulated depreciation				
Buildings and building improvements	(9,822,164)	(1,117,894)	-	(10,940,058)
Furniture, fixtures and equipment	(3,507,210)	(296,814)	59,429	(3,744,595)
Vehicles	(571,011)	(55,698)	51,245	(575,464)
Total accumulated depreciation	(13,900,385)	(1,470,406)	110,674	(15,260,117)
Governmental activities capital assets, net	$ 37,657,734	$ (494,893)	$ -	$ 37,162,841

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Vocational	$ 1,266,725
Adult/continuing	25,473
Support services:	
Pupil	8,025
Administration	15,260
Fiscal	11,874
Operations and maintenance	14,489
Pupil transportation	40,588
Operation of non-instructional services	66,423
Food service operations	21,549
Total depreciation expense	$ 1,470,406

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In prior fiscal years, the District entered into lease agreements to acquire copiers and copier equipment. Lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds.

Capital assets consisting of equipment have been capitalized in the amount of $73,364. Accumulated depreciation as of June 30, 2016 was $58,692, leaving a current book value of $14,672. Principal and interest payments of $12,933 and $1,090, respectively, were paid from the General Fund and $2,561 and $216, respectively, were paid from the Adult Education Fund (a nonmajor governmental fund).

The following is a schedule of the future long-term minimum lease payments required under the lease agreement and the present value of the future minimum lease payments as of June 30, 2016:

Fiscal Year Ending June 30	Amount
2017	$ 16,800
2018	1,400
Total minimum lease payments	18,200
Less: amount representing interest	(520)
Total	$ 17,680

NOTE 10 - LONG-TERM OBLIGATIONS

During fiscal year 2016, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding 06/30/15	Additions	Reductions	Balance Outstanding 06/30/16	Amounts Due in One Year
Governmental activities:					
2010 Certificates of participation	$ 4,035,000	$ -	$ (370,000)	$ 3,665,000	$ 375,000
Capital lease	33,174	-	(15,494)	17,680	16,286
Net pension liability	16,546,642	1,558,017	-	18,104,659	-
Compensated absences	1,007,260	304,604	(405,430)	906,434	189,158
Total long-term obligations, governmental activities	$ 21,622,076	$ 1,862,621	$ (790,924)	$ 22,693,773	$ 580,444

2010 Certificates of Participation - On December 18, 2009, the District issued certificates of participation in the amount of $5,783,812, to construct and renovate buildings. The debt was issued in accordance with the American Recovery and Reinvestment Act of 2009, which provides for federal tax credits for the holders of debt in lieu of interest payments. This reduces the issuers cost of borrowing. This debt was issued for a fifteen year period, with final maturity during fiscal year 2025. The debt will be retired through the Permanent Improvement Capital Project Fund.

The debt maturing on December 16, 2024 is subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the date of redemption, on December 1 in each year and principal and interest amounts as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	$ 375,000	$ 67,811	$ 442,811
2018	385,000	60,401	445,401
2019	390,000	52,845	442,845
2020	400,000	45,143	445,143
2021	405,000	37,294	442,294
2022 - 2025	1,710,000	67,471	1,777,471
Total	$ 3,665,000	$ 330,965	$ 3,995,965

Compensated Absences - Compensated absences will be paid from the General Fund, Food Service, Adult Education, Adult Basic Education and Vocational Education Special Revenue funds.

Net Pension Liability - See Note 12 for detail on the net pension liability.

Legal Debt Margin: The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2016, are a voted debt margin of $286,183,100 and an unvoted debt margin of $3,179,812.

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2016, the District contracted for the following insurance coverage:

Coverage provided by Wells Fargo Insurance Services USA, Inc.

Buildings and Contents - replacement costs ($1,000 deductible)

Commercial Auto Coverage	
Liability	$1,000,000
Uninsured/Underinsured Motorist	1,000,000
Medical Payments	5,000
General Liability	
Bodily Injury and Property Damage	1,000,000
Products/Completed Operations	2,000,000
Personal and Advertising Injury	1,000,000
Each Occurrence Limit	1,000,000
Damage to Premises Rented to You	1,000,000
Employers Benefits	Included
Educators' Legal Liability	
Each Wrongful Act	1,000,000
Annual Aggregate	4,000,000
Excess Liability Each Occurrence/Annual Aggregate	4,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from the prior fiscal year.

The District participated in the Sheakley/Better Business Bureau of Central Ohio's Workers' Compensation Group Retrospective Rating Program (GRP). The intent of the GRP program is to achieve the benefit of a reduced net premium for the District by virtue of its grouping and representation with other participants in the program. The program differs from a group rating plan in that the District pays its initial premiums based on the individual rating of the District and then earns refunds distributed over a three-year period based on the performance of the entire group of participants. Employer membership in the group is limited to schools and libraries.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description - School Employees Retirement System (SERS)

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

Age and service requirements for retirement are as follows:

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

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2016, the entire 14 percent was allocated to pension, death benefits, and Medicare B and no portion of the employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was $205,034 for fiscal year 2016. Of this amount, $9,803 is reported as pension and postemployment benefits payable.

In April 2016, the SERS Board adopted certain assumption changes which implemented their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

Plan Description - State Teachers Retirement System (STRS)

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

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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

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

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

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

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $772,576 for fiscal year 2016. Of this amount, $109,393 is reported as pension and postemployment benefits payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate share of the net pension liability	$ 2,716,399	$ 15,388,260	$ 18,104,659
Proportion of the net pension liability	0.047605200%	0.055679770%	
Pension expense	$ 167,915	$ 628,462	$ 796,377

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 43,877	$ 705,703	$ 749,580
District contributions subsequent to the measurement date	205,034	772,576	977,610
Total deferred outflows of resources	$ 248,911	$ 1,478,279	$ 1,727,190
Deferred inflows of resources			
Net difference between projected and actual earnings on pension plan investments	$ 91,646	$ 1,187,269	$ 1,278,915
Changes in proportionate share	10,234	544,972	555,206
Total deferred inflows of resources	$ 101,880	$ 1,732,241	$ 1,834,121

$977,610 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2017	$ (36,526)	$ (411,447)	$ (447,973)
2018	(36,526)	(411,447)	(447,973)
2019	(36,525)	(411,447)	(447,972)
2020	51,574	207,803	259,377
Total	$ (58,003)	$ (1,026,538)	$ (1,084,541)

Actuarial Assumptions - SERS

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

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

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22.00 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	100.00 %	

Discount Rate - The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	$ 3,766,669	$ 2,716,399	$ 1,831,985

Changes Between Measurement Date and Report Date

In April 2016, the SERS Board adopted certain assumptions changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	$ 21,375,454	$ 15,388,260	$ 10,325,194

Changes Between Measurement Date and Report Date - In March 2017, the STRS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of June 30, 2017. The most significant change is a reduction in the discount rate from 7.75 percent to 7.45 percent. In April 2017, the STRS Board voted to suspend cost of living adjustments granted on or after July 1, 2017. Although the exact amount of these changes is not known, the overall decrease to District's NPL is expected to be significant.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, none of the employer contribution was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2016, this amount was $23,000. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was $23,900.

The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $23,900, $33,981, and $23,663, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

B. State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care. The District's contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were $0, $0, and $59,720, respectively. The full amount has been contributed for fiscal years 2016, 2015 and 2014.

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of one hundred ninety-five days for teachers and two hundred forty days for classified and administrative personnel. Upon retirement, payment is made for twenty-seven percent (27%) for teachers and twenty-eight percent (28%) for classified and administrative personnel of the value of employee's accrued but unused sick leave days. Employees must have seven years of service in the District.

B. Health Care Benefits

The District provides medical, prescription drug, dental and life insurance benefits to all employees through the San-Ott Schools Employee Welfare Benefit Association.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While 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 and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the General Fund 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 the GAAP basis are that:

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

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

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

(d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,

(e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,

(f) Some funds are included in the General Fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the General Fund is as follows:

Net Change in Fund Balance

	General Fund
Budget basis	$ 114,352
Net adjustment for revenue accruals	151,498
Net adjustment for expenditure accruals	76,055
Net adjustment for other sources/uses	6,259
Funds budgeted elsewhere	(3,780)
Adjustment for encumbrances	727,163
GAAP basis	$ 1,071,547

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 Fund, Rotary Special Services Fund and Public School Support Fund.

NOTE 16 - CONTINGENCIES

A. 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is not a party to legal proceedings that would have a material effect on the financial condition of the District.

C. Foundation Funding

District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2015-2016 school year, traditional Districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year-end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 Foundation funding for the District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the District.

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain General Fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	Capital Improvements
Set-aside balance June 30, 2015	$ -
Current year set-aside requirement	140,959
Current year qualifying expenditures	(140,959)
Total	$ -
Balance carried forward to fiscal year 2017	$ -
Set-aside balance June 30, 2016	$ -

In prior fiscal years, the District issued $5,783,812 in capital related school improvement notes. These proceeds may be used to reduce the capital improvements set-aside amount to zero for future years. The amount presented for prior year offset from note proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to $0. The District is responsible for tracking the amount of note proceeds that may be used as an offset in future periods, which was $5,783,812 at June 30, 2016.

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

Fund	Year-End Encumbrances
General Fund	$ 642,306
Permanent Improvement Fund	1,100,174
Other governmental funds	82,727
Total	$ 1,825,207

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VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST THREE FISCAL YEARS

	2016	2015	2014
District's proportion of the net pension liability	0.04760520%	0.04787200%	0.04787200%
District's proportionate share of the net pension liability	$ 2,716,399	$ 2,422,775	$ 2,846,794
District's covered-employee payroll	$ 1,433,164	$ 1,391,061	$ 1,473,743
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	174.17%	193.17%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

Note: Information prior to fiscal year 2014 was unavailable.

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

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST THREE FISCAL YEARS

	2016	**2015**	**2014**
District's proportion of the net pension liability	0.05567977%	0.05806685%	0.05806685%
District's proportionate share of the net pension liability	$ 15,388,260	$ 14,123,867	$ 16,824,259
District's covered-employee payroll	$ 5,818,050	$ 5,932,831	$ 6,406,908
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	264.49%	238.06%	262.60%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%

Note: Information prior to fiscal year 2014 was unavailable.

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

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

LAST TEN FISCAL YEARS

	2016	**2015**	**2014**	**2013**
Contractually required contribution	$ 205,034	$ 188,891	$ 192,801	$ 203,966
Contributions in relation to the contractually required contribution	(205,034)	(188,891)	(192,801)	(203,966)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 1,464,529	$ 1,433,164	$ 1,391,061	$ 1,473,743
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%

2012	2011	2010	2009	2008	2007
$ 199,746	$ 181,056	$ 185,912	$ 133,613	$ 133,700	$ 148,835
(199,746)	(181,056)	(185,912)	(133,613)	(133,700)	(148,835)
$ -	$ -	$ -	$ -	$ -	$ -
$ 1,485,100	$ 1,440,382	$ 1,373,058	$ 1,357,856	$ 1,361,507	$ 1,393,586
13.45%	12.57%	13.54%	9.84%	9.82%	10.68%

VANGUARD-SENTINEL CAREER AND TECHNOLOGY CENTERS
SANDUSKY COUNTY

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

LAST TEN FISCAL YEARS

	2016	2015	2014	2013
Contractually required contribution	$ 772,576	$ 814,527	$ 771,268	$ 832,898
Contributions in relation to the contractually required contribution	(772,576)	(814,527)	(771,268)	(832,898)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 5,518,400	$ 5,818,050	$ 5,932,831	$ 6,406,908
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%

2012	2011	2010	2009	2008	2007
$ 862,954	$ 883,552	$ 906,072	$ 907,950	$ 920,648	$ 937,916
(862,954)	(883,552)	(906,072)	(907,950)	(920,648)	(937,916)
$ -	$ -	$ -	$ -	$ -	$ -
$ 6,638,108	$ 6,796,554	$ 6,969,785	$ 6,984,231	$ 7,081,908	$ 7,214,738
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2016. See the notes to the basic financials for the methods and assumptions in this calculation.

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for fiscal years 2014 - 2016.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for fiscal years 2014 - 2016. See the notes to the basic financials for the methods and assumptions in this calculation.

Dave Yost • Auditor of State

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

Vanguard-Sentinel Career and Technology Centers
Sandusky County
1306 Cedar Street
Fremont, Ohio 43420-1197

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vanguard-Sentinel Career and Technology Centers, Sandusky County, Ohio (the District) as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 24, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial

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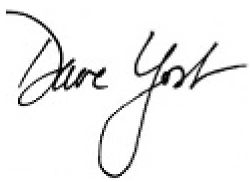
statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

April 24, 2018

VANGUARD SENTINEL CAREER AND TECHNOLOGY CENTERS

SANDUSKY 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
MAY 10, 2018