# U.S. GRANT JOINT VOCATIONAL SCHOOL DISTRICT
# CLERMONT COUNTY

## REGULAR AUDIT

## FOR THE YEAR ENDED JUNE 30, 2015

Dave Yost • Auditor of State

**U.S. GRANT JOINT VOCATIONAL SCHOOL DISTRICT**
**CLERMONT COUNTY**

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## INDEPENDENT AUDITOR'S REPORT

U.S. Grant Joint Vocational School District
Clermont County
718 West Plane Street
Bethel, OH 45106

To the Board of Education:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of U.S. Grant Joint Vocational School District, Clermont County, Ohio (the District), as of and for the year ended June 30, 2015, 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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of U.S. Grant Joint Vocational School District, Clermont County, Ohio, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As discussed in Note 19 to the financial statements, during the year ended June 30, 2015, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* We did not modify our opinion regarding this matter.

### *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*, *the required budgetary comparison schedule, 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 January 29, 2016, 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

January 29, 2016

The discussion and analysis of U.S. Grant Joint Vocational School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

## Financial Highlights

Key financial highlights for 2015 are as follows:

- Net position of governmental activities increased $565,857 from 2014.

- General revenues accounted for $6,814,998 in revenue or 86% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for $1,112,504 or 14% of total revenues of $7,927,502.

- The District had $7,361,645 in expenses related to governmental activities; $1,112,504 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of $6,814,998 were also used to provide for these programs.

## Overview of the Financial Statements

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

The *Statement of Net 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. The General Fund is the major fund of the District.

## Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Government-wide Financial Statements answer this question. These statements include *all assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Government-wide Financial Statements, overall financial position of the District is presented in the following manner:

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

**Fund Financial Statements**

The analysis of the District's major funds is presented in the Fund Financial Statements (see Table of Contents). 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.

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

***Fiduciary Funds*** Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

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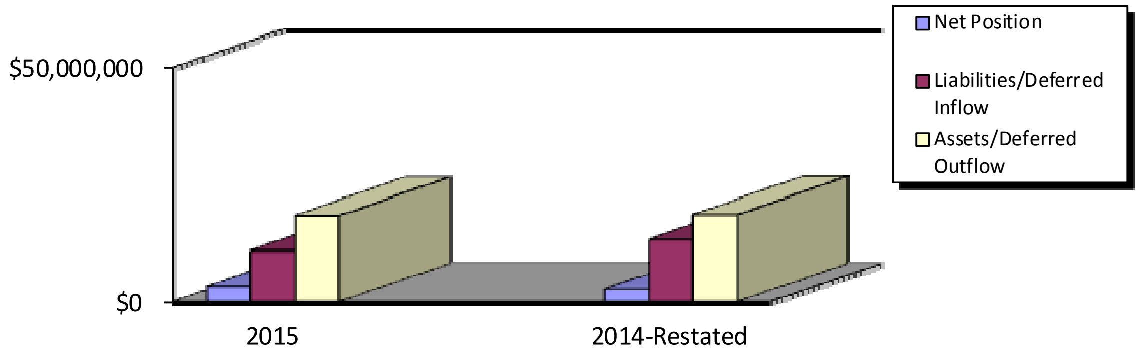
**The District as a Whole**

As stated previously, the Statement of Net Position looks at the District as a whole. Table 1 provides a summary of the District's net position for 2015 compared to 2014:

**Table 1**
**Net Position**

| | Governmental Activities | |
|---|---|---|
| | 2015 | 2014 Restated |
| Assets: | | |
| Current and Other Assets | $14,322,118 | $15,103,145 |
| Capital Assets | 4,171,866 | 3,568,914 |
| Total Assets | 18,493,984 | 18,672,059 |
| Deferred Outflows of Resources: | | |
| Pension | 780,570 | 602,686 |
| Total Deferred Outflows of Resources | 780,570 | 602,686 |
| Liabilities: | | |
| Other Liabilities | 803,106 | 1,287,460 |
| Long-Term Liabilities | 10,222,137 | 12,097,722 |
| Total Liabilities | 11,025,243 | 13,385,182 |
| Deferred Inflows of Resources: | | |
| Property Taxes | 3,170,738 | 3,141,976 |
| Pension | 1,765,129 | 0 |
| Total Deferred Inflows of Resources | 4,935,867 | 3,141,976 |
| Net Position: | | |
| Net Investment in Capital Assets | 4,171,866 | 3,568,914 |
| Restricted | 483,391 | 246,609 |
| Unrestricted | (1,341,813) | (1,067,936) |
| Total Net Position | $3,313,444 | $2,747,587 |




During 2015, the District 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 new 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. This implementation also had the effect of restating net position at June 30, 2014, from $13,671,899 to $2,747,587.

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2015, the District's assets and deferred outflows exceeded liabilities and deferred inflows by $3,313,444.

At year-end, capital assets represented 23% of total assets and deferred outflows. Capital assets include land, construction in progress, buildings and improvements, and equipment. Net investment in capital assets at June 30, 2015, totaled $4,171,866. 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, $483,391 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current assets decreased due to a decrease in equity in pooled cash and investments, which was mainly due to a decrease in the District's investments in fiscal year 2015 as compared to fiscal year 2014. Capital assets increased due to depreciation expense being less than current year additions. Total liabilities decreased due to a decrease in net pension liability.

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Table 2 shows the changes in net position for fiscal years 2015 and 2014.

**Table 2**
**Changes in Net Position**

| | Governmental Activities | |
|---|---|---|
| | 2015 | 2014 |
| Revenues: | | |
| Program Revenues: | | |
| Charges for Services and Sales | $250,145 | $251,598 |
| Operating Grants and Contributions | 862,359 | 918,302 |
| Total Program Revenues | 1,112,504 | 1,169,900 |
| General Revenues: | | |
| Property Taxes | 3,544,871 | 3,340,018 |
| Grants and Entitlements | 3,118,657 | 3,018,381 |
| Other | 151,470 | 162,993 |
| Total General Revenues | 6,814,998 | 6,521,392 |
| Total Revenues | 7,927,502 | 7,691,292 |
| Program Expenses: | | |
| Instruction | 4,687,061 | 4,799,274 |
| Support Services: | | |
| Pupil and Instructional Staff | 669,162 | 714,633 |
| School Administrative, General Administration, Fiscal and Business | 849,798 | 941,112 |
| Operations and Maintenance | 808,205 | 856,787 |
| Central | 128,923 | 94,053 |
| Operation of Non-Instructional Services | 180,616 | 182,909 |
| Extracurricular Activities | 37,880 | 45,174 |
| Total Program Expenses | 7,361,645 | 7,633,942 |
| Changes in Net Position | 565,857 | 57,350 |
| Net Position - Beginning of Year, Restated | 2,747,587 | N/A |
| Net Position - End of Year | $3,313,444 | $2,747,587 |

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 expenses still include pension expense of $602,686 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expenses of $467,195. Consequently, in order to compare 2015 total expenses to 2014, the following adjustments are needed:

| | |
|---|---|
| Total 2015 program expenses under GASB 68 | $7,361,645 |
| Program expenses under GASB 68 | (467,195) |
| 2015 contractually required contributions | 688,621 |
| Adjusted 2015 program expenses | 7,583,071 |
| Total 2014 program expenses under GASB 27 | 7,633,942 |
| Decrease in program expenses not related to pension | ($50,871) |

The District revenues came from mainly two sources. Property taxes levied for general purposes, as well as grants and entitlements comprised 84% of the District's revenues for governmental activities.

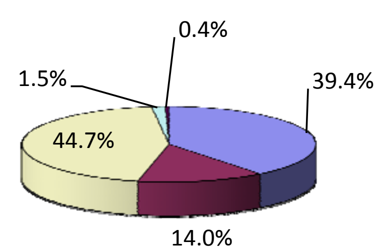
The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner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

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service.

Property taxes made up 45% of governmental activities for the District in fiscal year 2015. The District's reliance upon tax revenues is demonstrated in the following graph:

**Governmental Activities**
**Revenue Sources**

| Revenue Sources | 2015 | Percent of Total |
|---|---|---|
| General Grants | $3,118,657 | 39.4% |
| Program Revenues | 1,112,504 | 14.0% |
| General Tax Revenues | 3,544,871 | 44.7% |
| Investment Earnings | 120,112 | 1.5% |
| Other Revenues | 31,358 | 0.4% |
| | $7,927,502 | 100.0% |




Instruction comprises 64% of governmental program expenses. Support services expenses were 33% of governmental program expenses. All other expenses were 3%.

Property tax revenues increased from the prior year mainly due to an increase in property tax advances available. Total Expenses decreased due to decreases in instruction and support expenses.

## Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for 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 entitlements.

**Table 3**
**Governmental Activities**

| | Total Cost of Services | | Net Cost of Services | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Instruction | $4,687,061 | $4,799,274 | ($3,691,034) | ($3,737,766) |
| Support Services: | | | | |
| Pupil and Instructional Staff | 669,162 | 714,633 | (664,223) | (711,194) |
| School Administrative, General Administration, Fiscal and Business | 849,798 | 941,112 | (849,798) | (941,112) |
| Operations and Maintenance | 808,205 | 856,787 | (800,362) | (848,181) |
| Central | 128,923 | 94,053 | (128,923) | (94,053) |
| Operation of Non-Instructional Services | 180,616 | 182,909 | (76,921) | (86,562) |
| Extracurricular Activities | 37,880 | 45,174 | (37,880) | (45,174) |
| Total Expenses | $7,361,645 | $7,633,942 | ($6,249,141) | ($6,464,042) |

## The District's Funds

Information about the District's major fund is presented in the Fund Financial Statements. This fund is accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of $8,409,133 and expenditures and other financing uses of $8,755,296. The net change in fund balances for the year was a decrease of $346,163.

***General Fund***: Fund balance at June 30, 2015 was $9,342,416 including $8,733,967 of unassigned balance. The primary reason for the decrease in fund balance is due to revenues being less than expenses, which is consistent with prior years.

## General Fund Budgeting Highlights

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

During the course of fiscal year 2015, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, the original budget basis revenue was $7,468,965, compared to final budget estimates of $7,437,350. Of this $31,615 difference, most was due to overestimating taxes and intergovernmental revenues in the original budget.

For the General Fund, the original budget basis expenditures were $8,521,951, compared to final budget estimates of $9,013,622. The difference between the original budget basis and final budget were due to underestimates in instructional and operations and maintenance expenditures.

The District's ending unobligated actual fund balance for the general fund was $1,116,845 above the final budgeted amount.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2015, the District had $4,171,866 invested in land, construction in progress, buildings and improvements, and equipment. Table 4 shows fiscal 2015 balances compared to 2014:

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

| | Governmental Activities | |
|---|---|---|
| | 2015 | 2014 |
| Land | $100,000 | $100,000 |
| Construction in Progress | 35,935 | 948,597 |
| Buildings and Improvements | 2,547,292 | 1,185,626 |
| Equipment | 1,488,639 | 1,334,691 |
| Total Net Capital Assets | $4,171,866 | $3,568,914 |

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

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

***Debt***

At June 30, 2015, the District had no outstanding debt.

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

**For the Future**

In June of 2005, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone, and telecommunications companies, and railroads.

The tax on general business and railroad property began being phased out in 2006 and was eliminated by 2009. The tax on telephone and telecommunication property began being phased out in 2009 and was eliminated by 2011. The tax was phased out by reducing the assessment rate on the property each year. In the first five years, school districts are being reimbursed fully for the lost revenue; in the following seven years, the reimbursements are phased out.

The State of Ohio now has a new school funding formula beginning in FY14. The State of Ohio has experienced a recovery in tax collections and is guaranteeing two years of revenues to the District.

In September of 2013, the State legislature passed House Bill 59. House Bill 59 changes the way a joint vocational school district board is appointed.

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

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

**Contacting the District's Financial Management**

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

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U.S. Grant Joint Vocational School District
Statement of Net Position
June 30, 2015

| | Governmental Activities |
|---|---|
| Assets: | |
| Equity in Pooled Cash and Investments | $10,605,344 |
| Restricted Cash and Investments | 24,056 |
| Equity in Pooled Cash and Investments with Fiscal Agent | 27,819 |
| Receivables (Net): | |
| Taxes | 3,633,423 |
| Interest | 29,350 |
| Inventory | 2,126 |
| Nondepreciable Capital Assets | 135,935 |
| Depreciable Capital Assets, Net | 4,035,931 |
| Total Assets | 18,493,984 |
| Deferred Outflows of Resources: | |
| Pension | 780,570 |
| Total Deferred Outflows of Resources | 780,570 |
| Liabilities: | |
| Accounts Payable | 162,428 |
| Accrued Wages and Benefits | 576,924 |
| Contracts Payable | 35,935 |
| Matured Bonds Payable | 25,000 |
| Matured Interest Payable | 2,819 |
| Long-Term Liabilities: | |
| Due Within One Year | 120,840 |
| Due In More Than One Year: | |
| Net Pension Liability | 9,718,326 |
| Other Amounts | 382,971 |
| Total Liabilities | 11,025,243 |
| Deferred Inflows of Resources: | |
| Property Taxes | 3,170,738 |
| Pension | 1,765,129 |
| Total Deferred Inflows of Resources | 4,935,867 |
| Net Position: | |
| Net Investment in Capital Assets | 4,171,866 |
| Restricted for: | |
| Debt Service | 37,066 |
| Capital Projects | 363,822 |
| State Grants | 3,176 |
| Food Service | 77,267 |
| Federal Grants | 2,060 |
| Unrestricted | (1,341,813) |
| Total Net Position | $3,313,444 |

See accompanying notes to the basic financial statements.

U.S. Grant Joint Vocational School District
Statement of Activities
For the Fiscal Year Ended June 30, 2015

| | | 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 | $264,483 | $33,994 | $33,526 | ($196,963) |
| Special | 194,547 | 0 | 0 | (194,547) |
| Vocational | 3,855,036 | 70,509 | 756,192 | (3,028,335) |
| Adult/Continuing | 372,995 | 101,801 | 5 | (271,189) |
| Support Services: | | | | |
| Pupil | 367,480 | 0 | 0 | (367,480) |
| Instructional Staff | 301,682 | 0 | 4,939 | (296,743) |
| General Administration | 52,147 | 0 | 0 | (52,147) |
| School Administration | 368,621 | 0 | 0 | (368,621) |
| Fiscal | 429,030 | 0 | 0 | (429,030) |
| Operations and Maintenance | 808,205 | 7,843 | 0 | (800,362) |
| Central | 128,923 | 0 | 0 | (128,923) |
| Operation of Non-Instructional Services | 180,616 | 35,998 | 67,697 | (76,921) |
| Extracurricular Activities | 37,880 | 0 | 0 | (37,880) |
| Totals | $7,361,645 | $250,145 | $862,359 | (6,249,141) |

| | |
|---|---|
| General Revenues: | |
| Property Taxes Levied for: | |
| General Purposes | 3,544,871 |
| Grants and Entitlements, Not Restricted | 3,118,657 |
| Investment Earnings | 120,112 |
| Other Revenues | 31,358 |
| Total General Revenues | 6,814,998 |
| Change in Net Position | 565,857 |
| Net Position - Beginning of Year, Restated | 2,747,587 |
| Net Position - End of Year | $3,313,444 |

See accompanying notes to the basic financial statements.

U.S. Grant Joint Vocational School District
Balance Sheet
Governmental Funds
June 30, 2015

| | General | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| Assets: | | | |
| Equity in Pooled Cash and Investments | $9,525,808 | $1,079,536 | $10,605,344 |
| Restricted Cash and Investments | 24,056 | 0 | 24,056 |
| Equity in Pooled Cash and Investments with Fiscal Agent | 0 | 27,819 | 27,819 |
| Receivables (Net): | | | |
| Taxes | 3,633,423 | 0 | 3,633,423 |
| Interest | 29,350 | 0 | 29,350 |
| Inventory | 0 | 2,126 | 2,126 |
| Total Assets | 13,212,637 | 1,109,481 | 14,322,118 |
| Liabilities: | | | |
| Accounts Payable | 25,270 | 137,158 | 162,428 |
| Accrued Wages and Benefits | 561,825 | 15,099 | 576,924 |
| Compensated Absences | 52,571 | 0 | 52,571 |
| Contracts Payable | 0 | 35,935 | 35,935 |
| Matured Bonds Payable | 0 | 25,000 | 25,000 |
| Matured Interest Payable | 0 | 2,819 | 2,819 |
| Total Liabilities | 639,666 | 216,011 | 855,677 |
| Deferred Inflows of Resources: | | | |
| Property Taxes | 3,213,623 | 0 | 3,213,623 |
| Investment Earnings | 16,932 | 0 | 16,932 |
| Total Deferred Inflows of Resources | 3,230,555 | 0 | 3,230,555 |
| Fund Balances: | | | |
| Restricted | 0 | 485,495 | 485,495 |
| Assigned | 608,449 | 407,975 | 1,016,424 |
| Unassigned | 8,733,967 | 0 | 8,733,967 |
| Total Fund Balances | 9,342,416 | 893,470 | 10,235,886 |
| Total Liabilities, Deferred Inflows and Fund Balances | $13,212,637 | $1,109,481 | $14,322,118 |

See accompanying notes to the basic financial statements.

U.S. Grant Joint Vocational School District
Reconciliation of Total Governmental Fund Balance to
Net Position of Governmental Activities
June 30, 2015

| | | |
|---|---|---|
| Total Governmental Fund Balance | | $10,235,886 |
| | | |
| Amounts reported for governmental activities in 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. | | |
| Capital assets used in the operation of Governmental Funds | | 4,171,866 |
| | | |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. | | |
| Property Taxes | 42,885 | |
| Interest | 16,932 | |
| | | 59,817 |
| | | |
| Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds. | | |
| Compensated Absences | | (451,240) |
| | | |
| Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. | | |
| Deferred outflows of resources related to pensions | 780,570 | |
| Deferred inflows of resources related to pensions | (1,765,129) | |
| | | (984,559) |
| | | |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | | |
| Net Pension Liability | | (9,718,326) |
| | | |
| Net Position of Governmental Activities | | $3,313,444 |

See accompanying notes to the basic financial statements.

U.S. Grant Joint Vocational School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2015

| | General | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|
| Revenues: | | | |
| Property and Other Taxes | $3,544,897 | $0 | $3,544,897 |
| Tuition and Fees | 136,320 | 0 | 136,320 |
| Investment Earnings | 119,792 | 0 | 119,792 |
| Intergovernmental | 3,783,534 | 197,482 | 3,981,016 |
| Charges for Services | 69,984 | 35,998 | 105,982 |
| Other Revenues | 34,034 | 12,042 | 46,076 |
| Total Revenues | 7,688,561 | 245,522 | 7,934,083 |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 265,852 | 0 | 265,852 |
| Special | 215,955 | 0 | 215,955 |
| Vocational | 4,282,315 | 122,786 | 4,405,101 |
| Adult/Continuing | 381,918 | 0 | 381,918 |
| Support Services: | | | |
| Pupil | 411,730 | 0 | 411,730 |
| Instructional Staff | 314,509 | 3,865 | 318,374 |
| General Administration | 52,989 | 0 | 52,989 |
| School Administration | 377,978 | 0 | 377,978 |
| Fiscal | 445,840 | 0 | 445,840 |
| Operations and Maintenance | 770,166 | 173,093 | 943,259 |
| Central | 154,753 | 0 | 154,753 |
| Operation of Non-Instructional Services | 0 | 186,654 | 186,654 |
| Extracurricular Activities | 39,747 | 0 | 39,747 |
| Capital Outlay | 80,146 | 0 | 80,146 |
| Total Expenditures | 7,793,898 | 486,398 | 8,280,296 |
| Excess of Revenues Over (Under) Expenditures | (105,337) | (240,876) | (346,213) |
| Other Financing Sources (Uses): | | | |
| Proceeds from Sale of Capital Assets | 50 | 0 | 50 |
| Transfers In | 0 | 475,000 | 475,000 |
| Transfers (Out) | (475,000) | 0 | (475,000) |
| Total Other Financing Sources (Uses) | (474,950) | 475,000 | 50 |
| Net Change in Fund Balance | (580,287) | 234,124 | (346,163) |
| Fund Balance - Beginning of Year | 9,922,703 | 659,346 | 10,582,049 |
| Fund Balance - End of Year | $9,342,416 | $893,470 | $10,235,886 |

See accompanying notes to the basic financial statements.

U.S. Grant Joint Vocational School District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015

| | | |
|---|---|---|
| Net Change in Fund Balance - Total Governmental Funds | | ($346,163) |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period. | | |
| Capital assets used in governmental activities | 994,118 | |
| Depreciation Expense | (384,241) | |
| | | 609,877 |
| Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss. | | (6,925) |
| Governmental funds report district pension contributions as expenditures. However in the Statement of Activites, the cost of pension benefits earned net of employee contributions is reported as pension expense. | | |
| District pension contributions | 688,622 | |
| Cost of benefits earned net of employee contrbutions | (467,195) | |
| | | 221,427 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Delinquent Property Taxes | (26) | |
| Interest | 320 | |
| | | 294 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | |
| Compensated Absences | | 87,347 |
| Change in Net Position of Governmental Activities | | $565,857 |

See accompanying notes to the basic financial statements.

U.S. Grant Joint Vocational School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

| | Private Purpose Trust | Agency |
|---|---|---|
| Assets: | | |
| Equity in Pooled Cash and Investments | $17,636 | $46,453 |
| Total Assets | 17,636 | 46,453 |
| Liabilities: | | |
| Other Liabilities | 0 | 46,453 |
| Total Liabilities | 0 | $46,453 |
| Net Position: | | |
| Held in Trust | 17,636 | |
| Total Net Position | $17,636 | |

See accompanying notes to the basic financial statements.

U.S. Grant Joint Vocational School District
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2015

| | Private Purpose Trust |
|---|---|
| Additions: | |
| Donations | $11,569 |
| Total Additions | 11,569 |
| Deductions: | |
| Other | 2,953 |
| Total Deductions | 2,953 |
| Change in Net Position | 8,616 |
| Net Position - Beginning of Year | 9,020 |
| Net Position - End of Year | $17,636 |

See accompanying notes to the basic financial statements.

## Note 1 – Description of the District

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

The District was established in 1973 through the cooperation of all school districts involved. The District serves an area of approximately 40.43 square miles. It is located in Clermont County, and serves the local school districts of Bethel-Tate, Felicity Franklin, and Williamsburg, as well as New Richmond Exempted Village School District. It is staffed by approximately 11 non-certificated employees, approximately 39 certificated full-time teaching personnel and approximately 5 administrative employees who provide services to students and other community members. The District currently operates one instructional building and Satellite programs housed at three of the four associate schools, Bethel-Tate, New Richmond EVSD, and Williamsburg LSD.

### Reporting Entity

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

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

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

## Note 2 – Summary of Significant Accounting Policies

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

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

### Measurement Focus

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

**Fund Accounting**

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

Governmental Funds

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

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

Fiduciary Funds

Fiduciary fund reporting focuses on net 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 therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary funds are a private purpose trust fund and one agency fund. The private purpose trust fund accounts for scholarship programs for students. The student managed activity agency fund accounts for those student activity programs.

**Basis of Accounting**

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

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Measurable means the amount of the transaction can be determined. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

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

<u>Deferred Outflows/Inflows of Resources</u>

In addition to assets, the statements of financial position will sometimes 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.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes, grants and other taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance year 2016 operations. These amounts have been recorded as deferred inflows 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 taxes and interest. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

<u>Expenses/Expenditures</u>

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. However, debt service expenditures, as well as any expenditures related to compensated absences, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**Equity in Pooled Cash and Investments**

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

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2015. STAROhio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2A7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2015.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to $119,792.

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

**Inventory**

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

**Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five hundred dollars ($500). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

| Description | Estimated Lives |
|---|---|
| Buildings and Improvements | 5 - 35 years |
| Equipment | 5 - 20 years |

**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.

**Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

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

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

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to thirty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Employees may accumulate unlimited sick leave. Upon retirement, payment is made for one-third of accrued, but unused sick leave credit for the first 120 days of leave plus one day’s pay for each ten sick leave days accumulated beyond 120 days.

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

**Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

The government-wide statement of net position reports $483,391 of restricted net position, of which none is restricted by enabling legislation.

**Interfund Activity**

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

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

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

The District had no interfund receivables / payables at June 30, 2015.

**Fund Balance**

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

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

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

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

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

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

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

**Restricted Assets**

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets represent amounts followed by statute to be set-aside to create a set-aside for budget stabilization (see Note 16), and for retainage held for contractors.

**Cash and Cash Equivalents with Fiscal Agent**

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

**Accrued Liabilities and Long Term Obligations**

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

In general, governmental fund payables and accrued liabilities that, once incurred are paid in a timely manner and in full from current financial resources, are reported as obligations of the governmental funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year.

**Estimates**

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

## Note 3 – Equity in Pooled Cash and Investments

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

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

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

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

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

(1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.

(2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.

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

(4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but not limited to, passbook accounts.

(5) Bonds, and other obligations of the State of Ohio.

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

(7) Commercial paper and banker’s acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

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

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

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

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

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

**Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The District’s policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pooled or pledged securities. At June 30, 2015, the District’s bank balance of $1,675,720 was either insured by the FDIC or collateralized with pooled securities held by the pledging financial institution in the manner described below.

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

**Investments**

As of June 30, 2015, the District had the following investments:

| | Fair Value | Weighted Average Maturity (Years) |
|---|---|---|
| Federal Home Loan Mortgage | $309,696 | 3.49 |
| Freddie Mac | 1,596,987 | 1.64 |
| Negotiable CDs | 1,685,069 | 1.51 |
| Fannie Mae | 3,412,252 | 2.07 |
| U.S. Treasury Notes | 1,555,908 | 3.40 |
| Money Market Funds | 168,678 | 0.00 |
| Federal Farm Credit Bank | 249,773 | 3.93 |
| STAROhio | 236,693 | 0.15 |
| Total Fair Value | $9,215,056 | |
| Portfolio Weighted Average Maturity | | 2.13 |

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

Credit Risk – It is the District's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations. The District's investments in Federal Home Loan Mortgage, Freddie Mac, Negotiable CD's, Fannie Mae, U.S. Treasury Notes, and Federal Farm Credit Bank were rated AA+ by Standard & Poor's and Fitch Ratings and Aaa by Moody's Investors Service. Investments in STAROhio and in the Money Market Funds were rated AAAm by Standard & Poor's.

Concentration of Credit Risk – The District's investment policy allows investments in Federal Agencies or Instrumentalities, but does not limit the amount in any one issuer. The District invested 17% in Freddie Mac, 37% in Fannie Mae, 3% in Federal Home Loan Mortgage, 2% in the Money Market Funds, 3% in STAROhio, 18% in Negotiable CD's, 17% in U.S. Treasury Notes, and 3% in Federal Farm Credit Bank.

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

## Note 4 – Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes.

Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

Tangible personal property tax revenue received during calendar year 2015 (other than public utility property tax) represents the collection of 2015 taxes levied against local and interexchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2015 were levied after April 1, 2014, on the value as of December 31, 2014. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. The District receives property taxes from Hamilton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2016 operations. The amount available for advance can vary based on the date the tax bills are sent.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2015. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2015 on the fund statements. The entire amount of delinquent taxes receivable is recognized as a revenue on the government-wide financial statements. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred inflows for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2015, was $419,800 for General Fund and is recognized as revenue.

The assessed value, by property classification, upon which taxes collected in 2015 were based as follows:

| | Amount |
|---|---|
| Tangible and Public Utility Personal | $227,522,690 |
| Real Estate | 708,852,160 |
| Total | $936,374,850 |

## Note 5 – Receivables

Receivables at June 30, 2015, consisted of taxes and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes.

## Note 6 – Capital Assets

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| ***Capital Assets, not being depreciated:*** | | | | |
| Land | $100,000 | $0 | $0 | $100,000 |
| Construction in Progress | 948,597 | 35,935 | 948,597 | 35,935 |
| ***Capital Assets, being depreciated:*** | | | | |
| Buildings and Improvements | 4,945,864 | 1,484,263 | 24,016 | 6,406,111 |
| Equipment | 3,685,648 | 422,545 | 125,693 | 3,982,500 |
| Totals at Historical Cost | 9,680,109 | 1,942,743 | 1,098,306 | 10,524,546 |
| Less Accumulated Depreciation: | | | | |
| Buildings and Improvements | 3,760,238 | 122,238 | 23,657 | 3,858,819 |
| Equipment | 2,350,957 | 262,031 | 119,127 | 2,493,861 |
| Total Accumulated Depreciation | 6,111,195 | 384,269 | 142,784 | 6,352,680 |
| Governmental Activities Capital Assets, Net | $3,568,914 | $1,558,474 | $955,522 | $4,171,866 |

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Depreciation expense was charged to governmental functions as follows:

| | |
|---|---|
| Instruction: | |
| Special | $2,261 |
| Vocational | 322,276 |
| Adult/Continuing | 837 |
| Support Services: | |
| Pupils | 1,299 |
| Instructional Staff | 677 |
| School Administration | 2,347 |
| Fiscal | 3,215 |
| Operations and Maintenance | 48,837 |
| Central | 69 |
| Operation of Non-Instructional Services | 2,451 |
| Total Depreciation Expense | $384,269 |

**Note 7 – Long-Term Liabilities**

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

| | Beginning Balance | Additions | Deletions | Ending Balance | Due In One Year |
|---|---|---|---|---|---|
| Governmental Activities: | | | | | |
| Net Pension Liability: | | | | | |
| STRS | $9,828,831 | $0 | $1,555,303 | $8,273,528 | $0 |
| SERS | 1,698,167 | 0 | 253,369 | 1,444,798 | 0 |
| Total Net Pension Liability | 11,526,998 | 0 | 1,808,672 | 9,718,326 | 0 |
| Compensated Absences | 570,724 | 4,352 | 71,265 | 503,811 | 120,840 |
| Total Governmental Activities | $12,097,722 | $4,352 | $1,879,937 | $10,222,137 | $120,840 |

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

**Note 8 - 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 accrued wages and benefits 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 on or after August 1, 2017 |
|---|---|---|
| Full Benefits | Any age with 30 years of service credit | Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit |
| Actuarially Reduced Benefits | Age 60 with 5 years of service credit Age 55 with 25 years of service credit | Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit |

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

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

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the 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, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was $167,424 for fiscal year 2015. Of this amount $4,147 is reported as accrued wages and benefits.

**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, 2015, plan members were required to contribute 12 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 2015 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was $521,197 for fiscal year 2015. Of this amount $62,570 is reported as accrued wages and benefits.

**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, 2014, 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 | $1,444,798 | $8,273,528 | $9,718,326 |
| Proportion of the Net Pension Liability | 0.02854800% | 0.03401460% | |
| Pension Expense | 84,966 | 382,229 | 467,195 |

At June 30, 2015, 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 | $12,297 | $79,651 | $91,948 |
| District contributions subsequent to the measurement date | 167,425 | 521,197 | 688,622 |
| Total Deferred Outflows of Resources | $179,722 | $600,848 | $780,570 |
| **Deferred Inflows of Resources** | | | |
| Net difference between projected and actual earnings on pension plan investments | $234,495 | $1,530,634 | $1,765,129 |

$688,622 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, 2016. 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: | | | |
| 2016 | ($55,549) | ($362,745) | ($418,294) |
| 2017 | (55,549) | (362,746) | (418,295) |
| 2018 | (55,550) | (362,746) | (418,296) |
| 2019 | (55,550) | (362,746) | (418,296) |
| Total | ($222,198) | ($1,450,983) | ($1,673,181) |

**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, 2014, are presented below:

| | |
|---|---|
| Wage Inflation | 3.25 percent |
| Future Salary Increases, including inflation | 4.00 percent to 22 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:

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| 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 | $2,456,011 | $1,444,798 | $1,103,638 |

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, 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, 2014, 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, 2014. 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, 2014. 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, 2014.

**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 | \$9,940,895 | \$8,273,528 | \$4,409,380 |

## Note 9 - Post Employment Benefits

***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, the 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 2015, 0.82 percent of covered payroll 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 2015, this amount was \$20,450. 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 2015, the District's surcharge obligation was \$2,374.

The District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$12,180, \$3,205, and \$8,503, respectively. For fiscal year 2015, 97 percent has been contributed, with the balance being reported as accrued wages and benefits. The full amount has been contributed for fiscal years 2014 and 2013.

***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. 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 year 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, 2015, 2014, and 2013 were $0, $38,228, and $33,415 respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

## Note 10 – Contingent Liabilities

### Grants

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

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2015.

### Litigation

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

## Note 11 – Risk Management

### Property and Liability

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

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

| | |
|---|---|
| Property Coverage: | |
| Total Insured Values - All SORSA Members Aggregate | $200,100,000 |
| Crime Coverage: | |
| Employee Dishonesty/Faithful | 100,000 |
| Forgery or Alteration | 100,000 |
| Computer Fraud | 100,000 |
| Theft Disappearance and Destruction (inside/outside) | 100,000 |
| General Liability: | |
| Bodily Injury and Property Damage | 15,000,000 |
| Personal and Advertising Injury Limit – Each Offense | 15,000,000 |
| Products – Completed Operations Aggregate Limit | 15,000,000 |
| General Annual Aggregate | 17,000,000 |
| Fire Damage Limit – Any One Event | 500,000 |
| Medical Payments | 10,000/25,000 |
| Educators' Legal Liability: | |
| Errors or Omissions Cover | 1,000,000 |
| Automobile Liability: | |
| Owned/Leased Vehicles | 15,000,000 |
| Hired and Non-owned Liability | Included |
| Medical Payments | 10,000/25,000 |
| Uninsured Motorist | 100,000/1,000,000 |
| Automobile Physical Damage | Actual Cash Value |

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

**Workers' Compensation**

For fiscal year 2015, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the GRP.

## Note 12 – Other Employee Benefits

### Life and Accident Insurance

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

### Employee Benefits

For fiscal year 2015, the District participated in the Clermont County Insurance Consortium (the Consortium) (Note 14), an insurance purchasing pool, in order to provide dental, medical, life insurance, and disability benefits to employees, their dependents and designated beneficiaries and to set aside funds for such purposes. The Consortium provides insurance policies in whole or in part through one or more group insurance policies.

## Note 13 – Risk Sharing Pool

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

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

## Note 14 – Insurance Purchasing Pools

### Ohio School Boards Association Workers' Compensation Group Rating Plan

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

### Clermont County Insurance Consortium

The Clermont County Insurance Consortium (the "Consortium"), an insurance purchasing pool, is a health trust formed to provide affordable and desirable dental, life, medical and other disability group insurance for members' employees, eligible dependents and designated beneficiaries of such employees. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. The District pays premiums to the Clermont County Insurance Consortium, which in turn buys the insurance policies from various insurance companies.

Upon termination, the District shall be responsible for prompt payment of all plan liabilities accruing as a result of such termination and maintain no right to any assets of the Trust. The District may terminate participation in the Trust upon written notice to the Consortium delivered at least sixty days prior to the annual review date of the policy. Financial information can be obtained from the Clermont County Insurance Consortium at 2400 Clermont Center Drive, Batavia, OH 45103.

## Note 15 – Jointly Governed Organizations

### Hamilton Clermont Cooperative Association/Unified Purchasing Association

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

### Hamilton/Clermont Cooperative Association

The District is a participant in a two county consortium of school districts to operate the Hamilton/Clermont Cooperative Association (H/CCA). H/CCA is an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among other member districts. The Board of H/CCA consists of one representative from each of the participating members. Complete financial statements for H/CCA can be obtained from their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231-3107.

## Note 16 – Statutory Set-Asides

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

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

| | Capital Acquisition | Budget Stabilization |
|---|---|---|
| Set Aside Balance as of June 30, 2014 | $0 | $24,056 |
| Current Year Set Aside Requirements | 47,865 | 0 |
| Qualified Disbursements | (1,781,796) | 0 |
| Total | ($1,733,931) | $24,056 |
| Set-Aside Balance Carried Forward to Future Years | $0 | $0 |
| Set-Aside Balance as of June 30, 2015 | $0 | $24,056 |

Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. By resolution, the Board can eliminate the set-aside in accordance with the Act. As of June 30, 2015, the Board had not acted on the Senate Bill requirements to eliminate the set-aside balance.

## Note 17 – Interfund Transactions

Interfund transactions at June 30, 2015, consisted of the following:

| | Transfers | |
|---|---|---|
| | In | Out |
| General Fund | $0 | $475,000 |
| Other Governmental Funds | 475,000 | 0 |
| Total All Funds | $475,000 | $475,000 |

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

## Note 18 – Fund Balances

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

| Fund Balances | General | Other Governmental Funds | Total |
|---|---|---|---|
| Restricted for: | | | |
| Management Information Systems | $0 | $102 | $102 |
| Career Education | 0 | 1,074 | 1,074 |
| Miscellaneous State Grants | 0 | 2,000 | 2,000 |
| Miscellaneous Federal Grants | 0 | 2,060 | 2,060 |
| Food Service | 0 | 79,371 | 79,371 |
| Debt Service | 0 | 37,066 | 37,066 |
| Classroom Facilities | 0 | 8,915 | 8,915 |
| Permanent Improvements | 0 | 354,907 | 354,907 |
| Total Restricted | 0 | 485,495 | 485,495 |
| Assigned to: | | | |
| Permanent Improvements | 0 | 407,975 | 407,975 |
| Encumbrances | 180,062 | 0 | 180,062 |
| Budgetary Resource | 427,846 | 0 | 427,846 |
| Public Schools | 541 | 0 | 541 |
| Total Assigned | 608,449 | 407,975 | 1,016,424 |
| Unassigned | 8,733,967 | 0 | 8,733,967 |
| Total Fund Balance | $9,342,416 | $893,470 | $10,235,886 |

## Note 19 – Change in Accounting Principles

The District adopted the provisions of GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement Number 68. GASB Statement Number 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014 and have been implemented by the District. GASB Statement Number 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources of its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68.

## Note 20 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2015, the District implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2014:

| | |
|---|---|
| Net position June 30, 2014 | $13,671,899 |
| Adjustments: | |
| Net Pension Liability | (11,526,998) |
| Deferred Outflow - Payments Subsequent to Measurement Date | 602,686 |
| Restated Net Position June 30, 2014 | $2,747,587 |

Other than employer contributions subsequent to the measurement date, the District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

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# REQUIRED SUPPLEMENTARY INFORMATION

U.S. Grant Joint Vocational School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

| | General Fund | | | |
|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Variance from Final Budget |
| Revenues: | | | | |
| Taxes | $3,569,220 | $3,554,112 | $3,556,897 | $2,785 |
| Tuition and Fees | 3,103 | 3,090 | 3,092 | 2 |
| Investment Earnings | 126,542 | 126,006 | 126,105 | 99 |
| Intergovernmental | 3,736,876 | 3,721,059 | 3,723,974 | 2,915 |
| Other Revenues | 33,224 | 33,083 | 33,109 | 26 |
| Total Revenues | 7,468,965 | 7,437,350 | 7,443,177 | 5,827 |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 269,872 | 285,442 | 253,933 | 31,509 |
| Special | 213,912 | 226,254 | 201,278 | 24,976 |
| Vocational | 5,194,069 | 5,493,739 | 4,887,295 | 606,444 |
| Support Services: | | | | |
| Pupil | 453,352 | 479,508 | 426,576 | 52,932 |
| Instructional Staff | 214,126 | 226,480 | 201,479 | 25,001 |
| General Administration | 56,028 | 59,261 | 52,719 | 6,542 |
| School Administration | 411,305 | 435,035 | 387,012 | 48,023 |
| Fiscal | 476,924 | 504,440 | 448,756 | 55,684 |
| Operations and Maintenance | 850,415 | 899,479 | 800,187 | 99,292 |
| Central | 158,624 | 167,775 | 149,255 | 18,520 |
| Extracurricular Activities | 51,601 | 54,578 | 48,553 | 6,025 |
| Capital Outlay | 171,723 | 181,631 | 161,581 | 20,050 |
| Total Expenditures | 8,521,951 | 9,013,622 | 8,018,624 | 994,998 |
| Excess of Revenues Over (Under) Expenditures | (1,052,986) | (1,576,272) | (575,447) | 1,000,825 |
| Other financing sources (uses): | | | | |
| Proceeds from Sale of Assets | 50 | 50 | 50 | 0 |
| Advances (Out) | (10,628) | (11,241) | (10,000) | 1,241 |
| Transfers (Out) | (983,062) | (1,039,779) | (925,000) | 114,779 |
| Total Other Financing Sources (Uses) | (993,640) | (1,050,970) | (934,950) | 116,020 |
| Net Change in Fund Balance | (2,046,626) | (2,627,242) | (1,510,397) | 1,116,845 |
| Fund Balance - Beginning of Year (includes prior year encumbrances appropriated) | 10,572,864 | 10,572,864 | 10,572,864 | 0 |
| Fund Balance - End of Year | $8,526,238 | $7,945,622 | $9,062,467 | $1,116,845 |

See accompanying notes to the required supplementary information.

## Note 1 – Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary schedule 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 schedule reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2015.

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

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

3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a restriction, commitment, or assignment of fund balance for governmental fund types (GAAP basis).

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

and a portion of the Adult Education Fund. These funds were excluded from the budgetary presentation for the General Fund.

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

Net Change in Fund Balance

| | General |
|---|---|
| GAAP Basis | ($580,287) |
| Revenue Accruals | (245,384) |
| Expenditure Accruals | (32,261) |
| Transfers (Out) | (450,000) |
| Advances In | (10,000) |
| Encumbrances | (192,247) |
| Funds Budgeted Elsewhere | (218) |
| Budget Basis | ($1,510,397) |

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U.S. Grant J.V.S. District
Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability
State Teachers Retirement System of Ohio
Last Two Fiscal Years (1)

| | 2014 | 2013 |
|---|---|---|
| District's Proportion of the Net Pension Liability | 0.03401460% | 0.03401460% |
| District's Proportionate Share of the Net Pension Liability | $8,273,528 | $9,828,831 |
| District's Covered-Employee Payroll | $4,865,354 | $5,066,383 |
| District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 170.05% | 194.00% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 74.70% | 69.30% |

(1) - Information prior to 2013 is not available

U.S. Grant J.V.S. District
Required Supplementary Information
Schedule of the District's Proportionate Share
of the Net Pension Liability
School Employees Retirement System of Ohio
Last Two Fiscal Years (1)

| | 2014 | 2013 |
|---|---|---|
| District's Proportion of the Net Pension Liability | 0.028548% | 0.028548% |
| District's Proportionate Share of the Net Pension Liability | $1,444,798 | $1,698,167 |
| District's Covered-Employee Payroll | $1,801,378 | $1,417,549 |
| District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll | 80.21% | 119.80% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 71.70% | 65.52% |

(1) - Information prior to 2013 is not available

U.S. Grant J.V.S. District
Required Supplementary Information
Schedule of District Contributions
State Teachers Retirement System of Ohio
Last Ten Fiscal Years

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually Required Contribution | $524,587 | $486,549 | $467,812 | $444,690 | $469,155 | $461,427 | $443,468 | $457,297 | $413,066 | $398,971 |
| Contributions in Relation to the Contractually Required Contribution | (524,587) | (486,549) | (467,812) | (444,690) | (469,155) | (461,427) | (443,468) | (457,297) | (413,066) | (398,971) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| District Covered-Employee Payroll | $4,343,312 | $4,865,354 | $5,066,383 | $5,005,707 | $5,062,631 | $5,003,966 | $4,853,405 | $4,572,969 | $4,458,264 | $4,409,300 |
| Contributions as a Percentage of Covered-Employee Payroll | 12.08% | 10.00% | 9.23% | 8.88% | 9.27% | 9.22% | 9.14% | 10.00% | 9.27% | 9.05% |

U.S. Grant J.V.S. District
Required Supplementary Information
Schedule of District Contributions
School Employees Retirement System of Ohio
Last Ten Fiscal Years

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually Required Contribution | $114,541 | $116,137 | $107,262 | $103,803 | $103,904 | $100,915 | $96,889 | $113,465 | $93,805 | $97,035 |
| Contributions in Relation to the Contractually Required Contribution | (114,541) | (116,137) | (107,262) | (103,803) | (103,904) | (100,915) | (96,889) | (113,465) | (93,805) | (97,035) |
| Contribution Deficiency (Excess) | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 | $0 |
| District Covered-Employee Payroll | $1,674,241 | $1,801,378 | $1,417,549 | $1,541,727 | $2,605,732 | $1,625,518 | $1,685,515 | $1,275,824 | $1,131,790 | $1,074,436 |
| Contributions as a Percentage of Covered-Employee Payroll | 6.84% | 6.45% | 7.57% | 6.73% | 3.99% | 6.21% | 5.75% | 8.89% | 8.29% | 9.03% |

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

U.S. Grant Joint Vocational School District
Clermont County
718 West Plane Street
Bethel, OH 45106

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, the major fund, and the aggregate remaining fund information of U.S. Grant Joint Vocational School District, Clermont County, Ohio (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 29, 2016, wherein we noted the District adopted new accounting guidance in Governmental Accounting Standards Board Statement of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

***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 opinion 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.

Corporate Centre of Blue Ash, 11117 Kenwood Road, Blue Ash, Ohio 45242
Phone: 513-361-8550 or 800-368-7419 Fax: 513-361-8577
www.ohioauditor.gov

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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 communication is not suitable for any other purpose.

**Dave Yost**
Auditor of State

Columbus, Ohio

January 29, 2016

# Dave Yost • Auditor of State

**US GRANT JOINT VOCATIONAL SCHOOL DISTRICT**

**CLERMONT COUNTY**

**CLERK'S CERTIFICATION**

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

Susan Babbitt

**CLERK OF THE BUREAU**

**CERTIFIED**
**FEBRUARY 11, 2016**

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